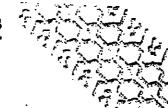
# FINANCIAL TIMES

**Equatorial Guinea**Oil bonanza for banana basket case

'Free' trade pacts . Building blocks or stumbling blocks?

Martin Wolf, Page 14



Rosen's motor Mean, lean and green powertrain

Technology, Page 12



Today's surveys Netherlands Northern Ireland

## World Business Newspaper http://www.FT.com **European Union** aims to counter **US Cuba laws**

The European Union is pressing ahead with moves to counter US laws penalising foreign companies that do business in Cuba. A tense companies that do business in Cuba. A tense day of talks in Luxembourg ended with Denmark dropping its threatened veto of the EU moves and agreeing to a compromise. The EU has already complained to the World Trade Organisation about the Helms-Burton law, but further counter-measures are seen as a test of Europe's credibility in trade policy. Page 4

Air France hinted it might bid for AOM, its domestic rival. The suggestion comes as British Airways looks set to boost its position in France by winning control of private carrier Air Lib-

Portugal set to back bid: Lisbon looks set to approve an Es33.15bn (\$215.7m) bid led by US cigarette maker Philip Morris for 65 per cent of state-owned tobacco company Tabaqueira.

Deutsche Telekom chief Ron Sommer said the German company's priority would be cut-ting its debt to DM65bn (\$42bn) by 2000 - even if it meant forgoing chances to expand. Page 17

Army admits killings: Burundi's Tutsi-dominated army admitted killing about 50 Hutu civilians earlier this month and said those responsible would be punished. Editorial Com-

Bhutto gives up finance portfolio:



Beleaguered Pakistan prime minister Benazir Bhutto (left) gave up the finance portfolio she has held since coming to power three years ago. Her successor in the job will be privatisation minister Naveed Qamar. His appointment is seen as a move to please the

International Monetary Fund, which has been withholding a \$600m stand-by loan pending firm government action. Page 16; Warning on tariff cuts, Page 4

UK seeks to ban combat knives: Britain's Conservative government agreed to consult all political parties on banning combat knives following last month's conviction of a youth for the fatal stabbing of a London headmaster.

McDonnell Douglas has scrapped plans to er to compete with market leaders Boeing and Airbus. The move will revive questions about the aerospace group's future in the commercial sector. Page 20

Crackdown on tax debtors: Russia has launched its threatened crackdown on corporate tax debtors by starting bankruptcy proceedings against four big companies. Page 2

Ukraine plans to follow Russia into the international capital markets by issuing its first eurobond, possibly by early 1997. Page 3

European pensions: A British parliamentary committee will call this week for the scale of countries' unfunded pension liabilities those not covered by specific assets - to become a new criterion for eligibility to join a European single currency. Page 9

Citibank: Japan's post and telecoms ministry has granted Citibank permission in principle to link with nearly 23,000 automated teller machines operated by post offices across Japan.

Fever hits Vietnam: Dengue fever has broken out in Vietnam's Mekong Delta following the worst floods for years. Nine people have died and 4,000 cases have been reported.

Bulgarian Socialists beaten: Bulgaria's ruling former communists lost in weekend presidential elections, according to official preliminary results showing opposition candidate Petar Stoyanov ahead with 43.65 per cent of the vote with Socialist rival Ivan Marazov on 27.07 per cent. Page 2

Marcos jewels to be auctioned: A Philippines court approved the auction of almost of \$12m of jewellery belonging to former first lady Imelda Marcos. A Marcos family request to stop the sale was rejected.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

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THE FINANCIAL TIMES LIMITED 1996 No 38,126

## Drop in deficit boosts Clinton in week before poll

in Washington

President Bill Clinton yesterday began the final week of the US presidential election campaign by announcing a drop in the federal budget deficit to the lowest level in 15 years. It was an attempt to lift the spirits of voters with more of the positive economic news that has given him such a commanding lead in the opinion polls.

Exploiting the advantages of ncumbency to the limit, Mr Clinton unveiled the deficit figure with considerable campaign fanfare. Two young Democrats pulled a cord to reveal the new number on a red, white and blue banner behind the president at a rally in St Louis, Missouri. The banner showed the deficit for the fiscal year to September 30 was \$107.3bn, down 63 per cent from 1992. It is the lowest deficit since 1981, when it stood at

Before Mr Clinton had spoken, in what has become known in the 1996 campaign as a "prebuttal", senior Republicans began claiming credit for the reduction. Mr Haley Barbour, Republican party chairman, said: "This is a huge



America prepares to vote

The races that count

credit to the commonsense Republican Congress which fought for spending constraints." But the advantages of office could ensure that more credit for the decline goes to the president than to

Mr Franklin Raines, director of the White House Office of Management and Budget, acknowledged that the drop reflected stronger-than-expected economic growth and efforts to control government spending. Each accounted for about half the decline, he said. adding that the deficit was expected to grow in 1997.

The president's political advisers were not stressing such economic niceties: they want the headlines to reflect that last year was the fourth fulfilled his 1992 promise to halve the deficit.

Opinion polls show that the size of the deficit is an important issue among American voters. They have largely rejected Republican candidate Mr Bob Dole's promise of tax cuts because they fear the effect on the deficit

Yesterday's news gave Mr Clinton an opportunity to take a swipe at Mr Dole, who has become increasingly shrill in his denunciations of the president's character and turned on voters to accuse them of failing to "wake up" and reject Mr Clinton as president

"I would say that these results prove that America is awake and moving in the right direction," Mr Clinton said. The new figure provided "more evidence that these "more evidence that our economy is on the right track".

Opinion polls show voter perceptions of a healthy economy are the most important reason for Mr Clinton's two-digit poll lead before next Tuesday's

Mr Clinton made the announcement at the start of a three-state tour of the Midwest, traditionally a region where support for Democrats straight year of decline, and and Republicans is balanced



US president Bill Clinton begins his campaign tour of the swing states in St Louis yesterday

and where the election result is usually close. This year, Mr Clinton holds a strong lead in opinion polls in many Midwestern states, highlighting the weakness of Mr Dole's cam-

The former Senator was yesterday campaigning in California, where he spent the weekend issuing increasingly gloomy warnings about the President's character, even

might be impeached because of ethical violations.

He insisted that he was merely repeating a warning from Mr Ross Perot, the Reform party presidential can-

## Nazi gold inquiry accepted by banks

By Norma Cohen in London

Swiss banks have agreed to the most sweeping investigation ever into their secretive banking practices, giving independent auditors "unfettered access to all relevant files" about the dormant accounts of Nazi victims.

The auditors will be asked to discover whether the banks illegally disguised the accounts in previous investigations to avoid handing over proceeds to their rightful own-

The International Committee of Eminent Persons, set up by Swiss banks and the World Jewish Congress in response to international anger over Switzerland's role in handling dormant accounts, has set out the terms of reference for its inquiry in a confidential ninepage memorandum.

The memorandum was sent on October 18 to the big six auditing firms seeking to become the accountants to the committee charged with carrying out the investigation. The committee is headed by Mr Pani Volcker, former chairman of the US Federal Reserve Board.

The memo, a copy of which has been obtained by the Financial Times, outlines plans for a pilot audit of four Swiss banks to be completed before June 1997 and the final audit to be completed by June

It says the accountants will have to investigate not only the existence of previously unreported bank accounts but also those which would have been classified as dormant were it not "as a result of actions that were inconsistent with the banks' legal or fiduciary duties".

The auditors will be required to "review the record-keeping practices at individual banks at the time of the account opening during the 1934-46 period, and

European News

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## German bank talks may lead to merger merged their mortgage bank-

consulting company to advise

finance and privatisation.

Bankers in Berlin said yesterday that talks between two of Germany's large regional banking groups could lead to a merger that would create the country's secondlargest bank, with assets over DM500bn (\$337.80bn), and would strengthen Berlin as a financial centre.

In a joint statement, the two banks, Bankgesellschaft Berlin and Norddeutsche Landesbank, said it was agreed at a meeting of their boards on Fri-

tionship should be stepped up. The statement emphasised that Mr Eberhard Diepgen, the mayor of Berlin, and Mr Ger-hard Schröder, minister-president of the state of Lower Saxony, had attended the meeting. The city of Berlin holds a 56.8

ative venture, not a merger.

day that talks aimed at devel- data-processing subsidiary,

BGB and Nord/LB have already established a joint

Lower Saxony owns 40 per cent of Nord/LB. Nord/LB said talks had been taking place for some time, but were geared towards a co-oper-

per cent stake in BGB and

BGB, and, through a 25 per cent stake in Gothaer Beteiligungsgesellschaft, the invest-

Nord/LB already has a 15 per

cent direct equity stake in

ment arm of the Gothaer Insurance group, has a further indirect holding of 2.5 per cent. Against the backdrop of increasing consolidation in the banking sector, a merger of Nord/LB and BGB has often been seen as a likely move.

ing operations and set up a four regional governments. The news that Mr Diepgen

public sector bodies on project and Mr Schröder have given their support for a stepping up of talks has been interpreted as a sign that prospects of a merger have improved. As well as the government of

Lower-Saxony, Nord/LB's shareholders include the east German states of Mecklenburg-Vorpommern and Saxony-Anhalt, each with 16.66 per cent, and Lower Saxony's savings banks, which hold 26.66 per cent.

Besides its direct majority But it is a problematical one stake in BGB, the city of Ber-

as it requires agreement by lin owns a 25 per cent stake in Landesbank Berlin, one of the three banks which were brought together in January 1994 to form BGB.

Since then BGB has grappled with the costs of consolidation. Operating profits in the first half of 1996 fell 39 per cent to DM310m, while costs rose 12 per cent to DM1.2bn

In the first nine months of 1996, Nord/LB had operating profits before provisions of DM516m, 16 per cent up on the previous period. Administrative costs rose 6.7 per cent.

Observer, Page 15

## SA groups unravel web of holdings

By Mark Ashurst

The complex web of crossshareholdings among South African conglomerates unravelled further yesterday as Malbak, the industrial group, announced plans to unbundle its subsidiaries.

The move is driven by Sanlam, the country's second largest life assurer, which plans to scale down its non-core investments to focus on its financial services business. Sanlam. together with Sankorp, its industrial holdings subsidiary, has a controlling stake of 31.7

per cent in Malbak. Mr Peter Beningfield, Malbak's acting chief executive, said unbundling would add at least 15 per cent to the value of its listed subsidiaries. The details had not been finalised, but the move was likely to combine disposals with share transfers to Malbak sharehold-

Advisers have valued Malbak's assets at R24.60 (\$5.40) a share, a premium of 15.2 per cent to yesterday's trading price of R21.50.

Malbak has a market capitalisation of about \$1.6bn and interests spanning most of the non-mining sector of South Africa's economy. They include Foodcorp, a food pro-Continued on Page 16 | ducer, Kohler, a packaging

group; SA Druggists, a pharmaceutical supplier; two retail chains, Ellerine and New Clicks; and a diverse portfolio of non-listed subsidiaries from electrical goods to freight and motor vehicle retail. Mr Beningfield said most of

the unlisted companies would be sold for cash, and the proceeds distributed to shareholders. Where bids fell short of the "full value" of the unlisted companies, they would be held for disposal at a later date. For listed companies, the

group would consider selling its controlling stakes "in a single transaction to secure a control premium and to secure a similar offer for minority shareholders".

In terms of a voting agreement, Sanlam's stake in Malbak is pooled with 6.4 per cent held by Rembrandt, the tobacco and industrial group held by South Africa's Rupert family. Sanlam and Rembrandt also have a combined shareholding of more than 35 per cent in many of the underlying companies. The unbundling will effectively dilute their control but boost the value of their investment portfolios.

Mr Marinus Daling, chairman of Sanlam, has indicated that one of the main objectives of unbundling is to create

Continued on Page 16

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Future EMI chief warns too much stress being placed on one-off budget measures

## Rush to qualify for Emu condemned

By David Brown in Amsterdam

The stability of Europe's planned single currency is being put in danger because aspiring member countries are relying too much on oneoff budgetary manoeuvres to secure their place. This is the view of Mr Wim Duisenberg, the Dutch central bank governor, who is to preside over the transition to monetary union.

debt levels were not being tral bank, he conceded. paid enough attention.

Spain and Italy have made clear this month that they intend to go all-out to qualify for the first round of monetary union in two years' time. This will require special arrangements in their national budgets for 1997, the year on which eligibility will be judged.

Among harder currency countries, the Netherlands where public debt remains Mr Duisenberg, who will outside Emu convergence become president of the criteria - was itself using Frankfurt-based European exceptional measures, such Monetary Institute next as running down the trea-July, said in an interview sury's Fl 10bn-plus (about that structural deficits and \$42m) account with the cen-minedly towards the single

"Of course, various tricks

and one-off measures can effectively bring one's figures near or under the target criteria for 1997, but the essence of the Maastricht exercise is that reform should be pursued in a more structural way," he said. Mr Duisenberg, a monetarist, has maintained a fierce independence from Dutch government policy.

But in a strong defence of the Emu project, he maintained that Europe could count on faster economic growth and higher employment if it moved deter-

currency regime. This is in contrast to those who argue that the plan could depress growth, darken prospects for Europe's 18m unemployed, and force the costs of the transition on to the public at

Mr Duisenberg, who is also tipped to head the European central bank, successor to the EMI, insisted the EU's high jobless rate was due to cyclical factors and labour market rigidities. However. the move towards Emu had inspired governments to take steps to improve the functioning of their labour markets and reduce their role in the economy overall.

This would naturally help fight unemployment. Mr Duisenberg's remarks

come against a background of deteriorating labour relations and further signs of a fraying social consensus in many parts of the EU. Within the past fortnight Germany, France and Belgium have suffered nationwide strikes, while both France and Austria have witnessed an electoral polarisation towards anti-European extremes.

He rejected suggestions that fears among bankers about access to the Target currency clearing system were symptomatic of a

deeper split emerging between Emu "ins" and "outs" within a multi-track Europe

Mr Duisenberg described the split over Target as primarily a technical issue. although it had political and commercial overtones. He said several commercial banks, in countries such as Denmark, had signalled that they might transfer their central treasuries to place themselves within the single currency area.

Stable exchange rates would improve the effective functioning of the market overall, he maintained.

## EUROPEAN NEWS DIGEST

# forex losses

Two senior Hungarian central bank officials, including the vice president responsible for the country's large foreign debt, have offered to resign over a foreign exchange contract with Austrian bank Creditanstalt that may lose the state several million dollars. The matter has been referred to the cabinet. Less than a month ago the industry minister and entire

board of the state privatisation agency were sacked over irregular payments of about \$5m to a consultant. Analysis said the departure of Mr Frigyes Harshegyi and Mr Sandor Czirjak, both long-standing and respected central bank vice presidents, would be a serious loss. Mr Harshegyi is one of Hungary's best-known officials and is the mastermind behind the country's successful foreign borrowing programme and debt management. Although still the largest per capita in the former east bloc.
Hungary's foreign debt has fallen sharply, reaching
\$27.2bn at the end of May, down from a peak of \$33.2bn in Virginia Marsh, Budapest

#### SPD assails economic 'chaos'

Germany's opposition Social Democrat party yesterday obtained a special session of parliament tomorrow to debate the country's economic problems, but it failed to secure the return of Chancellor Helmut Kohl from the Far-East. Mr Rudolf Scharping, the SPD's parliamentary leader, , said Mr Kohl should return to answer charges that the federal finances were "in chaos", the economy out of balance and the 1996 budget unconstitutional

because borrowing was likely to exceed the legal limit. However, Mr Friedrich Bohl, head of the chancellery, said Mr Kohl was drumming up employment on his trip to Indonesia, the Philippines and Japan. Also, Germany's six leading economic research institutes, which produce their traditional autumn report today, would forecast growth of about 2.5 per cent next year after about 1 per ent this year.

The government coalition yesterday put on a more united front after a weekend of tension in which the junior Free Democrat party warned of a possible rupture in the event of new tax increases. Mr Wolfgang Gerhardt, the FDP leader, said the present coalition was the only grouping capable of implementing much needed structural reforms. Peter Norman, Bonn

#### French poll plea rejected

Leading figures in France's governing Gaullist RPR party yesterday dismissed a call by the centre-right UDF, the junior coalition partner, that President Jacques Chirac should respond to France's economic and political malaise by either calling early elections, reshuffling his government or holding a referendum.

Mr Patrick Stefanini, a senior Gaullist and adviser to Mr Alain Juppé, the prime minister, said the appeal by Mr François Leotard, the UDF leader, for "institutional solutions" was for the president to decide, and would not in any case "directly answer the anxieties of the French people about unemployment". One Gaullist backbencher accused Mr Léotard of merely wanting a job in the government because he was bored being outside it.

Nevertheless, Juppé aides concede the main incentive for a reshuffle, perhaps next spring, would be to bring in Mr Leotard, who is proving an awkward critic of many aspects of government policy. David Buchan, Paris

#### Corsican talks claim

A Corsican nationalist claimed yesterday that he had had secret talks recently with senior French officials despite government denials that it had met groups linked with terrorists. Mr François Santoni, a leader of the Cuncolta political wing of the FLNC-Canal Historique, responsible senior officials he said he had met.

The prime minister's office called his claims "grotesque inventions to justify [Mr Santoni's] demands and violent acts condemned by the majority of Corsicans". However, they were seized on by the opposition Socialists, who said it was "an open secret" such discussions had taken place, and these talks threw into doubt the government's publicly-stated policy of "firmness" in the face of terrorist

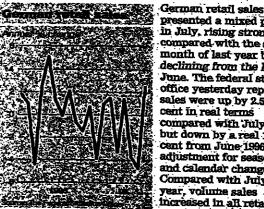
#### Fertiliser takeover cleared

The European Commission confirmed yesterday that it had cleared plans by Hydro Agri Nederland, the Dutch subsidiary of Norwegian oil and gas company Norsk Hydro, to buy the fertiliser company Terni Industrie Chimiche, part of Enichem, the Italian state-controlled chemical concern.

In each of its markets, the Commission said, Norsk Hydro would face competition from important rivals, or the addition of market shares would be insignificant, or entry into the market would be relatively easy for other producers,

ECONOMIC WATCH

## Retail sales up and down



presented a mixed picture in July, rising strongly compared with the same month of last year but declining from the level of June. The federal statistics office yesterday reported sales were up by 2.5 per cent in real terms compared with July 1995 but down by a real 1.9 per cent from June 1996 after adjustment for seasonal and calendar changes. Compared with July last year, volume sales increased in all retail sectors except speciality

food stores. The month's turnover was further boosted by a real 19.2 per cent year-on-year increase in mail order sales as households reacted positively to the new catalogues issued during the month. Peter Norman, Bopp Sweden had a trade surplus of SKr10.7bn (\$1.6bn) in September, compared with SKr9.5bn in August.:

## **Russia** moves on corporate tax debtors

By John Thomhill in Moscow

The Russian government has started carrying out its threat to crack down on the country's worst tax debtors by launching bankruptcy procedures against four big

The move is designed to tackle the government's severe budgetary problems, which have led to long delays in paying pensions and wages and sparked a breakdown of talks with the International Monetary Fund over disbursement of the latest monthly tranche of its

Mr Pyotr Mostovoi, head of the federal bankruptcy agency, said the government had threatened a further seven companies with bankruptcy unless they paid their bills within a week and would investigate 12 more big oil and gas

The government's efforts to get tough with tax debtors by publishing lists of how much various companies owed were already beginning to bear some fruit, Mr Mostovoi said.

"Many of the enterprises that were declared to be major nonpayers of taxes, have now

become more active," he said. The four targeted companies

include Moskvich, a troubled car manufacturer, Kamaz, a truck producer. Krasnodamefteoresintez, an oil refining concern, and Achinsky Glinozemny Kombinat, an aluminium company.

Two other oil companies have rescheduled their tax payments and are no longer on the list. The government is likely to press for a reorganisation of the four targeted companies rather than outright liquidation, although Russia's

bankruptcy procedures can be

Some of the targeted companies have complained their selection has been political and the government's move risks dragging regional leaders into disputes with the federal authorities. Mr Mintimer Shaimiev, president

of the central Russian republic of Tatarstan, where Kamaz is based, has denounced the government's initiative, saying he will support the truck producer.

More sparks could fly if the federal bankruptcy agency takes action against Zil, another troubled car manufacturer currently under scrutiny, which is backed by Mr

Yuri Luzhkov, Moscow's populist

The government says it is employing three objective criteria for selecting targets: the size of a company's outstanding bills, the proportion of tax it has paid, and the absence of government debts to

the company.

Mr Anatoly Chubais, head of the presidential administration, who is taking an increasingly active role in supervising economic policy, has said that it is "absolutely intolera-ble" that the rate of tax collection last month fell to 45 per cent of

Maltese

## Bulgarians sell some family silver

Urgent need for ready cash is forcing a reluctant Sofia to offer stakes in some of the country's few profitable state companies, writes Anthony Robinson

cumbersome

delivered in last Sunday's first round presidential election will not change its overriding priorities: raising mer Soviet Union. more than \$1bn to service its \$10bn foreign debt next year: restoring confidence in the banking system; and persuading the international Monetary Fund to release the delayed \$115m second tranche of a \$580m standby loan agreed in July.

The government, which still thinks in terms of Soviet-style dirigisme, has come to the reluctant conclusion that only the rapid sale of the relatively few profitable vides an escape route.

A 25 per cent stake in BTC, the state telecoms company, is high on the list of 22 "jewels" to be sold to foreign strategic investors, along with copper mines, shipyards, steel and engineering plants, and banks.

The list also includes two chemical plants whose ability to survive years of underinvestment and general economic collapse help to explain how some Bulgarian enterprises have managed to retain their status as valuable assets attractive to foreign investors ready to unlock their true potential.

The two companies are Sodi Devnya, which produces soda ash and related chemicals at Varna, Bulgaria's biggest Black Sea port, and Chimco, which produces urea fertiliser, ammonia and industrial gases at a relatively modern plant 90km north of Sofia, the capital. Both are export-oriented

and therefore partially insulated from the high inflation. shaky banks and political interference which have plagued the domestic economy.

The decision to build Chimco was taken after the discovery of a small natural gas deposit 15km from the town of Vratza. The deposit was exhausted soon after the

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dence in Bulgaria's pleted in 1967, and, since Socialist government 1974, the natural gas which provides both the chemical feedstock and power for the plant has come from the for-

Chimco keeps production costs down by reinjecting Russian gas into the natural reservoir during the summer when gas prices are low. Its specialised rail freight wagons and dedicated export

he vote of no-confi- Italian-built plant was com- warehouse in Varna harbour ket and, since 1993, to North give it a cost advantage of America. \$10-\$15 a tonne over equivalent Russian plants at Togliatti which have to pay rail and transit fees through Ukraine and loading fees at the port of Odessa.

Faced with Russian dumping in the early 1990s which depressed world market prices, Chimco survived initially by switching the bulk of sales to the Chinese mar-

Voters show disdain

for the main parties

Profits rose sharply on higher world prices for urea and ammonia in 1995 and nearly doubled again to \$57m pre-tax in the first nine

months of this year, according to accounts presented to Korea and Norsk Hydro.

but then delayed privatisation and other

The low poll also means that Mr

Kwasniewski of Poland while other

by 25 per cent of the electorate.

backing smaller groups.

reforms until forced to by a haemorrhage of

Stoyanov, who sought financial and moral

support from the German government and

an endorsement from President Alexander

candidates were campaigning in the towns

and villages of Bulgaria, is only supported

ability to attract votes from Bulgarians who

demonstrated their disillusionment with the

This raises a question mark over his

mainstream parties by staying home or

of the Bulgarian Business Bloc. He has

emerged as a potential king-maker. His

parliament and he probably received the

votes of disaffected BSP supporters. But he

has refused to endorse either of the run-off

party used to support the Socialists in

candidates and has blamed both main

parties for contributing to the country's

The lion's share of votes for the latter

went to Mr George Ganchev, populist head

potential buyers which include Daewoo of South Sodi Devnya, which is expected to be the first on

Half its output of around 200,000 tonnes a year is exported to South Korea for LG corporation's glass plants. Another 40,000 tonnes goes to South Africa. What attracts the six foreign investors which have tendered is the potential for expanding production and exports. The bidders, which

soda ash plant.

include LG of South Korea, Solvay of Belgium, Rhone-Poulenc Rorer of the US and Brunner-Mond of the UK. have submitted plans for substantial investment - one wants to raise capacity to nearly 1m tonnes a year by the end of the decade. Such plans will be encouraged by amendments to the foreign investment law

which offer a three-year tax break to foreign companies investing more than \$5m and will permit faster depreciation than the meagre 4 per cent annually allowed by the current law.

But the foreign bidders' emphasis on high investment clashes with the government's overriding need for cash up front to head off a looming foreign debt repayment crisis.

In April, only Sodi Devnya, the Varna power station and the 25 per cent stake in BTC were earmarked for privatisation. The government hoped Sodi would bring in around \$500m and the BTC stake \$800m more than the total \$718m foreign investment in Bulgaria since 1991.

Realisation that this was wildly optimistic helps explain why the rapid privatisation programme has been expanded to 22 companies.

"For the first time in six years there is a clear political will in the government in favour of privatisation," says Mr Dimitar Radev, deputy finance minister. But, even with full government backing, the privatisation process takes time.

Foreign debt traders believe Bulgaria will be lucky to raise more than \$500m in the first half of 1997 and the risk remains that the government's conversion to rapid privatisation has come to late.

#### elect anti-EU premier the rapid privatisation list to be sold, sits on top of huge and cheaply exploitable deposits of limestone and salt, the basic inputs for its

By Godfrey Grima in Valletta

standard Solvay-process Mr Alfred Sant, leader of Malta's Labour party, was yesterday sworn in as prime minister with a mandate to withdraw the island's application for membership of

the European Union. Thousands of Labour supporters poured on to the streets to celebrate after Mr Eddie Fenech Adami, prime minister since 1987, conceded defeat in Saturday's general election.

Labour's dramatic victory over Mr Fenech Adami's centre-right Nationalist cult reversal in its fortunes since the last election.

In 1992, the Nationalists won a 13,000 majority in the popular vote among the island's 274,000 electors. Last Saturday's poli put Labour 7,631 votes ahead and gave it a single-seat parliamentary majority. The party took 50.7 per cent of the popular vote and cut the Nationalists' share to 47 per cent from 51.9 per cent in

Mr Sant had campaigned on a promise to pull out of Nato's Partnership for Peace and to withdraw Malta's application to join the EU as a full member, filed by the Fenech Adami government

Shortly after taking office, Harvard-educated Mr Sant, 48, said his priority was to maintain security in the country. Equally urgent, he added, was the launch of an all-out war against the spread of drugs. Mr Sant will form his cabinet after the vote counting process ends, probably tomorrow.

have brought about Mr Fenech Adami's downfall,

against the increased transparency in income and cost of living rises created by VAT may have been taken too lightly by the National-

he is pledged to do, would confirm Mr Sant's move away from EU membership.

# Several factors appear to

not least the introduction of value added tax last year to replace customs duties as part of his move towards hoped-for European Union Complaints by traders and middle class wage-earners

Reversing that reform, as

## EU ministers press Commission for more beef aid

By Caroline Southey in Luxemboura

European Union farm ministers yesterday put heavy pressure on Mr Franz Fischler, the agriculture commissioner, to increase aid to beef farmers, despite fresh evidence that extra payments have matched losses caused by falls in prices and consumption.

By Anthony Robinson in London

Bulgarian voters delivered a slap in the face

to the governing Socialists in the first

round of the presidential election at the

enthusiasm for the alternative Union of

With most votes counted, Mr Petar

coalition candidate, had won 44 per cent

against 27 per cent for Mr Ivan Marazov,

candidate and his running mate Ms Irina

Bokova, Eleven other groups shared the

bothered to vote, however, compared to 75

when the BSP won 56 per cent and a clear

per cent at the 1994 parliamentary elections

rest. Only 60 per cent of the electorate

Stovanov, the anti-Communist UDF

the Bulgarian Socialist party (BSP)

The run-off between the top two

candidates takes place next Sunday.

The halving of the Socialist vote is a

personal blow to Mr Zhan Videnov, the

prime minister, who had promised to ease

the pain of transition to a market economy

weekend. However, they also showed little

and Theodor Troev in Sofia

Democratic Forces (UDF).

parliamentary majority.

EU countries, led by France, want the European Commission sales. The report points out that to find extra money for farmers member states were free to match tion to the budget problems facing

crisis in the beef market caused by BSE, or mad cow disease. Farmers have already been paid an additional Ecu850m (\$1.07bn) from the 1996 budget to cover their losses.

The Commission, in a report on the effect of the crisis on farm incomes, concludes that farmers have lost between Eculbn and Ecul.3bn through the combined effect of lower prices and lower affected by the seven-month-old EU payments of Ecussom out of us in 1997, but I regret to say that secure early progress on lifting be included in compromise pro- ist package.

national coffers, bringing the total this is not the case." aid package to Ecul.7bn.

EU officials said the report showed calls for additional aid ing of the ban on British beef could not be justified. "All ministers want more money. But there is no more money," one said.

Mr Fischler warned ministers against believing that additional money could be found next year by using Ecul.7bn unspent in 1996. "At first sight this unspent money might seem to be the solu-

ern Ireland,

Separately, Britain stepped up its efforts to secure a partial liftexports. Five British ministers attended the meeting, including Mr Douglas Hogg, the agriculture minister, Mr Michael Forsyth, the Scottish secretary of state, Lord Lindsay. Scotland's farm minister, and Baroness Denton, minister responsible for farming in North-

Mr Hogg said Britain wanted to

cussing the terms of ending the embargo for beef from "certified", or BSE-free, herds. Most such herds are in Scotland and North-

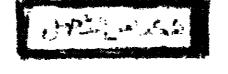
the embargo can only take place raising the intervention calling. once a cull has been implemented.

The calls for more farm aid will

the ban. He said the UK was dis- posals to be presented today by freland, which currently holds the presidency of the council ireland will attempt to break the impasse over plans put for

ward by Mr Fischler to stabilise He hinted that Britain might be the beef market. Most minist prepared to press shead early next - attacked, the commissioner's year with a selective cull of cattle plans, including his call for cuts affected by mad cow disease. The in cereal aid to pay for measures EU has insisted that an easing of such as slaughtering calves and

EU officials predicted the min's ters were heading for a minimal



ing to some :

Ukraine has stepped up

efforts to follow Russia on

to the international capital

markets with the issue of

Ukraine's first eurobond,

The former Soviet repub-

He this month sounded out

aid donors and western

banks about an earlier than

anticipated eurobond issue,

officials in Kiev said yester-

day. The Kiev government

could be a borrower in the

Ukraine's government,

which currently depends

entirely on foreign aid and

an expensive debt market

for its deficit financing

needs, has recently made

clear its intention to find

President Ion Iliescu of Romania, who

is standing for a third term in Sunday's

elections, has built up a clear lead over

his two closest opponents but his party

is trailing the main opposition group in

the parliamentary contest, according to

However, a poll by Imas, a local

for the parliamentary election, Roman- attacks.

showed many voters still undecided -

ia's third since the collapse of commu-

The poll showed the centre-right

Democratic Convention on 25.2 per

cent, a point ahead of Mr Iliescu's

Party of Social Democracy, the core of

the group of former communists that

However, the centrist Social Demo-

cratic Union led by Mr Petre Roman,

the reformist former prime minister,

was in third place with 14.4 per cent. It

The poll also suggested that two of

has said it aims to form a coalition

the three extreme nationalist and neo-

communist parties that until recently

has held power since 1989.

with the Convention.

other sources of capital.

By Virginia Marsh

opinion polls.

coming years.

possibly by early 1997.

certed attempt at speeding

up structural reform, is

partly behind the push for a

enrobond issue, a western

Ukraine will first need

International Monetary

Fund backing. A critical

final round of talks begins

The main outstanding

issue is the draft 1997 bud-

get, but western officials

yesterday were confident

that the loan would be dis-

bursed more or less on time

One said the IMF had

given Ukraine the green

light to go ahead with a

The Ukrainian govern-

ment has been buoyed by

Russia's success last month

today on a three-year \$3.1bn

extended fund facility.

economist said.

in January.

A proposed tax cut for in securing a credit rating

eurobond issue.

Iliescu still ahead as

organisation, published yesterday ing the prospect of defeat for the first

23 per cent had not made up their mind by mudslinging and bitter personal

Romania poll looms

issue tentatively for next

encouraged [Ukraine] to

approach the markets

sooner rather than later,"

said Mr Dan Lubash, manag-

ing director of emerging

Ukraine would need less

time to prepare for an issue

than Russia because the

country did not inherit any

outstanding Soviet debt that

subsequently had to be res-

More than \$8bn in debt

has been accumulated since

The budget deficit targets

for 1996 have been met.

Next year the country plans

a 3.8 per cent fiscal deficit.

which includes principal

paid on debt.

supported the PDSR's minority govern-

ment might not achieve the 3 per cent

The governing party, backed by pow-

of the vote needed to enter parliament.

erful business groups, is seeking to dis-

tance itself from its former supporters

and was instructed by Mr Iliescu to

favour its moderate wing when select-

ing parliamentary candidates. How-

ever, with the former communists fac-

time, the campaign has been marked

Romania's difficult transition to a

market economy has given the opposi-

tion ample ammunition to attack the

government's record. Figures published

yesterday put inflation in the year to

end-September at 45.3 per cent and the

average monthly rate at 3 per cent,

double last year's average. In a loan

accord with the International Monetary

Fund, Romania included a year-end

inflation target of 20 per cent, down

The fund froze further disbursements

in March after the authorities refused

to free the official exchange rate.

from 28 per cent in 1995.

markets at Merrill Lynch.

"The Russian situation

to receive a credit rating as

high as the BB- awarded by

agencies to Russia last

month, as its track record

on financial stabilisation

remains short and privatisa-

The government has been

bolding discussions with JP

Morgan, Merrill Lynch, CS

First Boston and SBC War-

burg, according to Mr

Mykola Melnitchouk, head

of the foreign exchange

central bank.

A Romanian woman counts her money

in front of election posters yesterday.

The country's currency has slipped in

An overvalued currency is a factor

behind a 5.5 per cent drop in exports in

the first nine months over the same

period last year while hard currency

shortages caused by the non-function-

ing interbank forex market contributed

Despite recent rises in real wages

to a 11.1 per cent drop in imports.

nervous trading ahead of the poll on

4,200 in the parallel market.

November 3

At present, the leu's official rate is monthly take home pay in September

about 3,380 to the dollar but it is about was just 71 per cent of 1990 levels.

erves department at the

"We're still at ane early

He added the options were

a larger, long-term duration

bond of \$500m or a smaller

trial issue. No manager has

been selected to lead the

Mr Melnitchouk

tion lags behind Russia.

well well

'Zero-deficit' draft dismissed as overestimating privatisation revenues, reports Kelly Conturier

delegation from the International Monetary Fund left Turkey last week after reviewing what many observers said was a budget draft for 1997 which many have

in revenues from privatisa-

tion and sale of publicly

owned properties, when less

than \$1bn has been raised

from privatisation in the last

two years. The draft also

includes what many analysts

say is an unrealistic 2 per

cent rise in tax revenues, as

no structural tax reform

Moreover, there are no

serious moves to rein in pub-

lic expenditure to help close

the ballooning budget defi-

cit, expected to reach

TL 1,300,000bn, or \$13.55bn,

by year's end, analysts said.

Two revenue-raising pack-

ages announced by the gov-

ernment were criticised as

too dependent on "one-off"

revenues such as the sale of

public land and lacking in

Shortly after taking office

minister, adopted a series of

populist measures, announc-

largely comes from low- and

promised to cancel farmers'

interest debts, end income

sustainable measures.

measures have been taken.

attacked as unrealistic. But observers said that the government gave its visitors little indication it was likely to make the structural changes the Fund has been urging - taxation and social ecurity reforms and accelerated privatisation.

The "zero-deficit" budget for 1997 announced by the government this month has been dismissed by many economists and observers as grossly overestimating expected revenues from Services. sales of state-owned enterprises in the country's slowmoving privatisation effort. The budget foresees \$8.5bn

Standard & Poor's said make the country's exports more dynamic and improved its banking sector. Net external public sector

equal to an estimated 54 per cent of exports this year, compared with 62 per cent in 1995 and 126 per cent in 1994. Hungary's vulnerability to

stresses had been reduced and it was now "more comrated in the investment grade category," said S&P.

grade ratings.

# Kiev eyes capital markets | Hungary gets S&P gets S&P investment | budget attacked rating

By Richard Lapper, **Capital Markets Editor** 

Hungary was yesterday awarded an investment grade credit rating by Standard & Poor's (S&P), the international credit rating

The triple B minus rating the lowest of ten investment grade ratings - should allow a wider range of investors to buy Hungary's foreign currency debt and help the country reduce its borrowing costs.

The decision follows the award this vear of similar investment grade ratings by two other agencies, IBCA and Duff and Phelps, while a fourth agency. Moody's Investor announced this month it had placed Hungary on review for a possible upgrade from its current speculative grade

S&P's upgrade was widely expected by the markets and had little impact on the price of Hungary's most liquid dollar-denominated bonds already trading.

These yield about a percentage point more than US government bonds of the same maturity.

Hungary had reduced its external debt burden and privatisation had helped

debt has fallen to an amount

parable to other sovereigns Other east and central

European governments such as the Czech Republic, Slovakia, Slovenia and Poland already enjoy investment





Premier Necmettin Erbakan and coalition partner Tansu Ciller: accused of 'trying to deceive the IMF by introducing misleading figures and an imaginary balanced budget'

tax on the minimum wage Yeni Yuzyil, used blunter and give interest-free loans to small businesses.

"The gap between government expenditures and income has increased rapidly and is larger than it has been for years and inflation remains high and is increasing." said one western diplomat when asked to outline the key problems in the Turkish economy.

"The trade deficit is larger than expected and foreign investors are staying away until Turkey comes up with some credible stability measures," the diplomat said.

With the deficit steadily increasing and year-end inflation estimated to hit 86 per cent on an "explosive path," one economist forecast the public sector borrowing requirement would reach 12-13 per cent of gross national product, higher than the rate that triggered the 1994 financial crisis.

in July. Mr Necmettin Erbakan, the Islamist prime "The current situation is unsustainable," according to Faruk Selcuk, a professor of economics, and the IMF is ing a 50 per cent pay rise to 7m civil servants, public seclikely to be unwilling to stand by Turkey until it tor workers and pensioners. Mr Erbakan, whose support "sees some real correction in that though his government macroeconomic fundamen- awaited a positive report middle-income voters, also

Mr Bilal Cetin, a commen- out any further standby

language, accusing Mr Erbakan and his coalition partner, the centre-right True Path Party chief Tansu Ciller, of "trying to deceive the Fund by introducing misleading figures and an imaginary balanced budget dream revenue-raising pack ages and exaggerated privatisation plans".

A future financial crisis could be worse than that of 1994, according to Atilla Karaosmanoglu, a veteran World Bank economist. Mr Karaosmanoglu, in an interview with the local Turkish Daily News, likened the Turkish economy to an HIV patient. "Its immunity to external shocks is getting weaker," he said.

Observers said the Fund unwilling to trigger a confidence crisis toward Turkey, would wait and watch for some positive signals from the government of Mr Erbakan, who in the past has bitterly criticised the IMF and other international financial institutions.

the Turkish press as saying tator in the liberal daily agreements.

## 1996 INTERIM REPORTS

The following companies announce that Interim Reports for the first half of 1996 are available upon request at their respective registered offices and at the Italian Stock Exchange Council.



STET - Società Finanziaria Telefonica per Azioni Registered capital Lit 5,281,212,121,000 fully paid-in Entered under No. 286/33 in the Ordinary Section of the Company Register of the Court of Turin - Tax I.D. No. 00471850016 Registered office in Turin - Via Bertola, 28 (Tel.: 011/55951) Head office in Rome - Corso d'Italia, 41 (Tel.: 06/85891)



Registered capital Lit 8,204,071,437,000 fully paid-in Entered under No. 131/17 in the Ordinary Section of the Company Register of the Court of Turin - Tax LD. No. 00580600013 Registered office in Turin - Via San Dalmazzo, 15 (Tel.: 011/55141) Head office in Rome - Via Flaminia, 189 (Tel.: 06/36881)



SIRTI Società per Azioni Registered capital Lit 220,000,000,000 fully paid-in Entered under No. 17236 in the Ordinary Section of the Company Register of the Court of Milan - Tax I.D. No. 00748480159 Registered office in Milan - Via G.B. Pirelli, 20 (Tel.: 02/66771)



Società per Azioni Registered capital Lit 410,203,571,850 fully paid-in Entered under No. 2582/95 in the Ordinary Section of the Company Register of the Court of Turin - Tax L.D. No. 06947890015

Registered office in Turin - Via Bertola, 34 (Tel.: 011/5565111) Branch office in Rome - Via L. Rizzo, 22 (Tel.: 06/39001)

Protestkundgebung zum Weltspartag gegen die geplante Abschaffung der D-Mark.

Es sprechen:

Gastredner:

**Manfred Brunner** Dr. Bruno Bandulet Prof. Dr. Wilhelm Hankel

München, 30. 10., 17.00 Uhr, Marienplatz

## Wehrt Euch! Sonst kommt der EURO.

Kohl und Waigel wollen die bewährte D-Mark abschaffen. Bereits 1999 soll der Euro kommen. Karl Otto Pöhl, damaliger Präsident der Deutschen Bundesbank, warnte schon 1988: "Die Einführung einer europäischen Währung ist nur vergleichbar mit der Währungsreform 1948."

Jetzt bleibt nur noch wenig Zeit, die Mark zu retten. Jetzt muß die schweigende Mehrheit der Deutschen, NEIN sagen zum dritten Währungsabenteuer in diesem Jahrhundert.

Kommen Sie zur Protestkundgebung am 30. Oktober auf dem Marienplatz. Auch wir wollen Europa. Aber nicht auf deutsche Kosten. Und nicht mit einem schwindsüchtigen Plastikgeld.

- Wir fordern die Währungshüter der Deutschen Bundesbank auf: Bleiben Sie hart! Sie haben die überwältigende Mehrheit des Volkes hinter sich.
- Wir fordern die Großbanken auf: Machen Sie sich nicht länger zum Komplizen einer Politik, die Ihre Kunden - die Sparer - auf kaltem Wege enteignet.
- Wir fordern den bayerischen Ministerpräsidenten auf: Handeln Sie jetzt! Die CSU kann den Euro stoppen, wenn sie wirklich will. Deutschland wartet auf ein Signal aus München.
- Und wir fragen Helmut Kohl: Wie wollen Sie in die deutsche Geschichte eingehen? Als Kanzler der Einheit oder als Totengräber der Deutschen Mark?

Die Mark muß bleiben. Dafür demonstrieren wir am 30. Oktober auf dem Marienplatz in München

Die Großkundgebung findet auch bei Regen statt.

Bei der Veranstaltung haben Sie Gelegenheit das Volksbegehren

"gegen den EURO"

zu unterschreiben.

Die Freiheitlichen

## **Brussels finesses Danish** threat to Cuba law riposte

EU foreign ministers last night reached a compromise to prevent a Danish veto wrecking Europe's attempts to counter US laws which penalise foreign companies doing business in Cuba.

After a tense day in Luxembourg, Danish diplomats and the European Commission found a formula which would salvage Europe's counter-measures against the US Helms-Burton law.

The EU has already lodged a complaint against Helms-Burton at the World Trade Organisation in Geneva, but additional counter-measures are seen as a test of Europe's credibility in trade policy. Denmark supports the

Washington, but claimed that the use of Article 235 of the treaty of Rome compromises its national sovereignty.

Under the compromise, the EU will stick to its original legal base, including the catch-all article 235, to support EU "blocking statutes" against the US. The proposed EU regulation will allow European companies penalised in US courts to claw back damages in Euro-

pean courts. The compromise will cite references to the 1968 EU Brussels convention which defines the boundaries of national and EU enforcement of judgments in civil and commercial matters.

This will allow the Danes

to claim that there is "nothing new" about the EU's use of Article 235 in trade matters, an EU diplomat said.

The Danish government's objections arose because of concern about a court case brought by a Danish citizens' group that accuses Copenhagen of surrendering sovereignty to the EU.

Denmark had come under opposition to EU retaliation. Diplomats noted that no Danish company was currently being targeted by the Helms-Burton law, which Americans to sue foreign companies "trafficking" in Cuban assets confiscated by

the Castro regime. Mr Niels Helvig Petersen, the Danish foreign minister,

naturalised

affairs".

A WTO panel is due to meet on November 20 to rule on EU complaints that the Helms Burton act - and similar US laws which seek to restrict trade with Iran and Libya - is extra-

that Denmark could abstain

from an agreement to go

ahead with the EU regula-

In a move which raised the

he had

stakes in the negotiations in

declared: "Either we vote

commissioner, said failure

by the EU to come up with a

response would have sent "a

very bad signal to those who

wish to interfere in Europe's

Sir Leon Brittan, EU trade

Luxembourg.

Yes or we vote No."

## Wages in industrialised nations hold up in spite of job losses

## Textile shifts fail to reduce pay

By Frances Williams

The International Labour Organisation said vesterday that the dramatic shift in textile, clothing and foot wear production from rich to poor countries over the past 25 years has not put downward pressure on wages in industrialised nations in spite of big job losses

In some developed countries real earnings have actually risen, according to a report\* prepared for an ILO meeting this week on the impact of globalisation in the textile, clothing and footwear (TCF) industries.

However, the wages gap between TCF workers in high-income and low-income countries has widened, the report says. Germany and Italy, still the world's biggest textiles producers, had hourly labour costs in 1990 of US\$18.40 and \$15.70 respectively, compared with just \$1.70 in Mexico.

Although global employment in TCF industries has increased on balance as jobs have shifted to the develop- downward in response to

	Main expor	ters o	f clothi	ng 1986-	92
		1986 (\$5n)	1992 (Sbn)	Variation from 1986 to 1992 (%)	%age share of world exports in 1992
1	Hong Kong	8.4	20.1	139	
	Exports, local origin	6.7	10.0	50	7.6
	Re-exports	1.7	10.1	490	N/A
2	China#	2.9	16.7	575	12.8
3	Italy	7.5	12.2	63	9.4
4	Germany*	4.2	B.4	200	6.4
5	Republic of Korea	5.5	8.8	24	5.2
5	France	2.5	5.3	112	4.0
7	United States	0.9	4.2	237	3.2
8	Turkey	1.2	4.2	237	3.2
9	Taiwan	4.2	4.1	-3 -	.3.1
10		1.5	4.0	172	3.1

ing world, a parallel shift of production from the formal to the informal sector has had "generally negative consequences on wage levels and conditions of work".

1986: Federal Republic

More and more TCF workers are in part-time or temporary jobs, working at home or in small workshops. The use of child labour has also grown - though the ILO believes the trend may be

Source: United Nations COMTRADE database pressure from consumers' groups and others, and from the ethics codes adopted by several large multinational

corporations In the clothing industry the number of clandestine workshops has grown exponentially in recent years," the ILO says, noting that few respect labour laws and many hire illegal migrants. Counterfeiting is also widespread and is estimated to cent of world trade in cloth-

The report puts the number of TCF workers worldwide at 23.6m in the formal sector and "five to ten times" as many in the informal sector. Between 1970 and 1992, the number of TCF jobs in the seven biggest industrialised economies shrank by over 3m or 42 per cent, but this has been more than made up by higher employment in developing

In textiles, industrialised countries remain the biggest producers in spite of a rapid increase in output by some Asian nations, Germany and Italy alone account for a fifth of world exports, with four other industrialised nations - Belgium, France, Japan and the US - among the top 10 exporters.

However, in clothing and footwear, developing nations are now the leading suppli-

\*Globalisation of the footwear, textiles and clothing industries. ILO Publications. CH-1211 Geneva 22, SFT20

## Rocky road lies ahead for China's car industry

Tony Walker on problems besetting a 'pillar of the economy'

hina's much-heralded love affair with the motor car has hit a bumpy patch due to an uncertain regulatory environment, punitive taxes, lack of consumer financing and a lingering credit

While Mr He Guangyuan. minister of the ministry of machine building, has been trumpeting plans to "rejuvenate" the automotive sector as a "pillar" of China's economy, the air seems to have been going out of the indus try's tyres.

Car manufacturers are operating at about half capacity and stockpiles of unsold vehicles in the first six months stood at 116,000 more than a third of last vear's production of 320,500

Volkswagen, which, with local pariners, is responsible for manufacturing more than half China's cars has run into difficulties with production of its Jetta compacts in the northern city of

Changchun.

Mr Andreas Meurer, man for VW in Asia, said that production in Changchun would be scaled back this year to 24,000 units from the previously planned 50,000. However, it is not clear the VW-First Automotive Corporation (FAC) joint venture will be able to sell even this lower output. The venture also produces about 10,000 Audis a year.

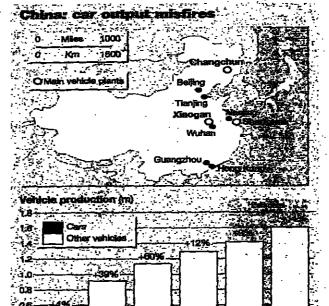
VW's main manufacturing

base is in Shanghai, where

its 50-50 DM2bn (\$1.3hn) joint

venture with the Shanghai Automotive Industry Corporation (SAIC) produced 170,000 Santana cars in 1995. China Daily Business Weekly painted a gloomy picture for the VW DM1.2bn joint venture in Changchun. It said an improved national market was urgently needed for the company to take advantage of its newly enlarged production capacity

and pay back large loans beginning next year. The paper quoted Mr Wu



one of China's three automotive conglomerates, as criticising a recent decision by the People's Bank of China to suspend a scheme under which purchasers could pay for cars in instalments. He would appeal to Beiling to reconsider the suspension which was imposed, the bank said, because of concern about inflationary effects and because legal regulations were not in place. He noted that 80 per cent of cars were sold in the west

arrangements. Mr Wu was surprisingly outspoken for a Chinese official, reflecting concern at the parlous state of the industry. He also complained that exorbitant taxes had restricted demand for vehicles for years.

under hire purchase-type

Taxes on new cars range as high as 75 per cent of the purchase price in some would be difficult to eradi-cate because organisations connected with China's security forces were involved in smuggling. Lagging sales and a slow-

also acknowledged that it

down in the automotive sector's growth may affect ambitious plans to step up production to 2.7m units by 2000 and 6m by 2010. Car production was slated to rise to 1.2m by 2000, and 4m by 2010, a tenfold increase. These targets now appear unrealistic.

But representatives of foreign automotive companies. such as Ford. General Motors and Toyota, which are battling to secure a foothold in China, say they regard present difficulties as part of a "teething process. As the representative of one of the US glants said: "Some reality may be setting in ... but that is not changing the fundamentals that there is tremendous potential here."

China unveiled a new automotive industry policy in 1994 which froze approvals of new car assembly joint ventures until 1997 and envisaged the establishment of two or three major conglomerates supported by a second tier of smaller producers to achieve economies of scale.

In the light of the slowdown in vehicle sales. China may now extend the freeze on new car assembly ventures, according to Mr Yu Xiaosong, a vice minister of the state economic and trade commission. "We have too many car assembly plants... I think new car assembly plants would find difficulties making a profit," Mr Yu said.

But representatives of for eign vehicle producers said that while capacity was now outstripping demand, this situation would not last long and it was doubtful whether Belling would maintain a ban on new joint ventures areas. These levies include a mining China's application for long. "The market can 17 per cent value-added tax. for membership of the World turn around very quickly.

#### WORLD TRADE NEWS DIGEST

## **Green exports** soar in the US

US exports of environmental technology rose 50 per cent between 1993 and 1995 to \$14.5bn, according to the US Commerce Department, which targeted the sector for special government assistance early in the Clinton administration. A special inter-agency group has promoted exports through a combination of technical assistance, training, export promotion and finance. Mr Mickey Kantor, commerce secretary, said exports were esponsible for 40 per cent of the industry's 1995 growth.

The US Export-Import Bank has been particularly active in the drive, approving \$1.37bn in financing for 'environmentally friendly" projects or products in 1995 alone. Its backing of environmental exports increased 84 per cent – from 26 deals in 1994 to 48 in 1995. Among these, it gave Poland \$30m in medium-term Eximbank-backed financing for US environmental exports

to Poland. Eximbank also authorised three tied aid direct loans for a \$12.5m sale of wind energy equipment and services to China Electric Power Technology Import & Export Corporation, the trading company for the electric power ministry in Beijing. Eximbank this year also approved a \$17.5m loan guarantee for equipment and services to rehabilitate six 30-year-old water treatment Nancy Dunne, Washington plants in Venezuela.

#### Warning on telecom talks

Telecoms companies in Asia and developing economies will be hit hard by failure to conclude an agreement on elecoms liberalisation in the World Trade Organisation, according to Mr Alex Arena, the Hong Kong industry regulator. Mr Arena said failure to agree on liberalisation would lead to the expansion of bilateral agreements, the establishment of a few important international hubs and the diversion of business from Asia. "Some countries will be given a ticket to the dance and others will miss out,"

Speaking after the latest round of telecoms talks in Geneva, Mr Arena said the negotiations were delicately balanced. "It is hard to say whether a deal will be achieved," he said. Substantial stumbling blocks remained concerning market access and offers to liberalise markets. The US was still dissatisfied with Asian offers for deregulation. "They feel there are key markets which haven't made offers, and in some cas where offers have been made they are not enough." However, Singapore had improved its offer and he hopedoffers from Malaysia and Indonesia would be forthcoming. John Ridding. Hong Kong

#### Jordan in WTO entry talks

Jordan said yesterday it hoped to become a member of the World Trade Organisation by the end of next year, Mr Ali Abu-Ragheb, Jordan's trade minister, said WTO entry would help Jordan and the whole region become me integrated into the world economy, Mr Abu-Ragheb, in Geneva for the first meeting of the WTO's working party set up to negotiate Jordan's accession terms, said the country's economic reform programme launched in 1991, and recent and impending legislation, had helped paved the way for WTO membership.

The main areas of difficulty were expected to be intellectual property protection and tariff reductions. Customs duties - which range up to 50 per cent for most goods and up to 200 per cent for cars, alcohol and cigarettes - contributed more than a quarter of government revenues. Despite impending legislation on copyright and patent protection, Jordan would still need a grace period to implement WTO commitments on Frances Williams, Geneva intellectual property.

## Wei, vice president of FAC, 10 per cent national road tax Trade Organisation. But he said one. World Bank softens criticism of Mercosur

By Guy de Jonquières

The World Bank has taken the unusual step of publicly defending Mercosur, after a study by one of its senior economists found that the four-nation Latin American trade grouping was severely distorting international

vice president of the Bank's

statement that at least some Bank continued to view Mercosur as "an important and positive initiative." The statement emphasised

that the grouping had boosted trade between its Mr Shahid Javed Burki, members and was attracting

bean region, conceded in a be a bad idea for potential investors in Mercof the study's criticisms osur to get on board before were valid. But it said the the train leaves the station."

Mr Burki admitted that some of the fastest growth in intra-Mercosur trade had been in products which could not be sold on world markets because they were not internationally competi-

problem to be corrected as Mercosur lowered trade barosur to get on board before riers against the rest of the world.

enhanced the credibility of economic reforms by its members - Argentina, Brazil, Paraguay and

Latin America and Carib- ment. It said "it might not tive. But he expected the The grouping would economies and disthe region.

and 8 per cent federal con-

sumption tax plus regional

fees. City governments, for

example, have been impos-

ing a luxury tax to curb

numbers of cars. In some

cases these "institutional

purchase control" charges

amount to 30 per cent of a

about 1.5m vehicles, includ-

ing 755,000 trucks. 374,000

buses and 320,500 cars. It

expects similar production

this year. Imported cars

totalled 50,000, but perhaps

double that number were

smuggled across China's

porous borders, especially

from North Korea - a con-

Local manufacturers and

their joint venture partners

complain bitterly about the

smuggling. Mr Martin Posth,

president of Volkswagen

Asia-Pacific, warned recently

the grey market was under-

duit for Japanese vehicles.

China last year produced

car's price.

He said Mercosur had political controversy over a which appeared recent analysis of Mercosur constitute the most by Mr Alexander Yeats, convincing, and disturbing, principal economist in the Bank's international trade concerning the potentially

eventually benefit growth in criminating against other

countries' exports. The study called its Mr Burki's statement the state, appears designed to calm findings "a smoking gun", evidence produced thus far Urnguay - and made it more division. It found that the adverse effects of regional difficult to reverse arrangement was trade arrangements." unilateral liberalisation. handicapping member Martin Wolf, Page 14

## India warned on tariff cuts

By Mark Nicholson in New Delhi

India risks economic "marginalisation" unless it accelerates cuts in tariffs and other trade barriers and further dismantles restrictions on foreign investment, Mr Anwarul Hoda, deputy director of the World Trade

Organisation, said yesterday. Mr Hoda, a former Indian trade bureaucrat, told a World Economic Forum conference in Delhi that the country's five-year-old trade and investment reforms were not sufficient to keep pace with similar developing countries and that India's competitiveness was suffer-

The pace has to be quickened because there are other countries which are liberali-sing even faster," he told the business audience. He said India had to cut relatively high tariffs and outright trade restrictions even in politically sensitive and labour-intensive sectors such

There are hard decisions to be taken and sacrifices to be made, but there is little choice if India wishes to avoid marginalisation," he

as textiles.

The WTO's tough stance echoes previous criticism from both the International Monetary Fund and World Bank over India's relatively high tariffs, which they say are among the most restrictive in Asia. India has cut maximum

tariffs from above 300 per

cent in 1990 to 50 per cent in

1995, but progress has since stalled. Mr P. Chidambaram,

finance minister, even levied

"infrastructure fee" on most imports in his last budget, effectively raising India's maximum tariff. india is also under grow-

ing pressure from western and other Asian states to lift a 50-year-old ban on imports of almost all consumer goods. Trade officials said at the weekend they would offer India's trade partners a phased programme of liberalisation in the sector in January.

However, such moves will face strong political resistance from within the 13party United Front government and Mr Tejendra Khanna, India's trade secretary, has indicated that India will seek a longer phasing of such measures, and a more gradual programme of liberalisation, than its main trade partners are seeking.

Mr H.D. Deve Gowda. India's prime minister, yes-terday assured the same forum that the reform programme his government inherited from the previous Congress party regime was both "unstoppable and irreversible", but added that his coalition would adopt "an approach of gradualism".

Others at the conference echoed Mr Hoda's criticisms. Mr Martin Posth, chairman and president of Volkswager Asia Pacific, said India must introduce global quality standards to compete in the world market, and improve infrastructure. It could not rely slone on offering cheap labour and tax incentives to attract foreign investment. "Cheap labour and tax holidays are no serious research for a transnational company an additional 2 per cent to settle in India," be said.

#### INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985-100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the predicts year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

i	UNITED STATES						I JAPAN						# GERMANY					
	Reinit naies Volume	Industrial production	Unexap- loysteet rate	Yncomuy yaba jadicator	Composite leading ledicates			Indutation production	Licenson leymout	Vector Indicates	Composite Healthy McContra		Retail epint Volume	indepoint production	Unverp- loyened rate	Vacancy rate inclinator	Competite leading indicator	
1985	100.0	100.0	7.1	100.0	91.3		0.00	100.0	2.5.	100.0			100.0	100.0	7.1	100.0	89.7	
1986	105.5	100.9	6.9	98,4	95.5		06.5	99.7	2.8	94.3			103.4	102.2	6.4	136.9	89,4	
1987 1988	108.5	106.0	6.1	104.2	96.7		13.7	103.1	2.8	108,3			107.4	102.6	. 6.2	149.5	90.0	
1989	113.0 115.5	110.7 112.4	5.4 5.2	104 <u>.9</u> 97.9	100.3 99.3		22.6	113.1	2.5	135.9			110.5	106.3	6.2	. 165.1	95,6	
1990	116.2	112.4	5.5	82.7	95,4		32.6 41.6	119.7 124.5	22. 21	147.0 149.8			1142	111.4	5.6	219,5	97.7	
1991	113.3	110.4	6.8	61.7	100.4		44.5	126.8	2.1	144.2			123.5 130.5	-117.2 117.9	4.8 4.2	261.9 297.9	98.2	
1992	117.0	114,2	7.4	61.8	105.2		39.9	119.0	21	124.2			127.7	116.4	4.6	287.9	95.1	
1993	122,2	118.2	6.8	67.7	110,6		31.7	113.6	2.5	106.6			122.3	109.2	· 6.1	229.0	89.1 95.1	
1994	129.6	125.1	. 6.0	79.0	112,7		29.5	114.5	2.9	102.2			120.4	113.9	6.8	241.1	103.5	
1995	133.8	129.3	5.5	79.2	113.0		28.5.	118.5	3.1	106.5	108.7	_		1,15.7		267.8	100.8	
4th qtr.1995	1.9	1.6	5.5	79.4	113.0		0.5	1.7	3.3	1019	., 108.7			_2.7		260.2	100.8	
1st qtr.1996	4.0	1.3	5.6	78.1	114.6		5.8	1.1	-33	1117.7	108.8			⊶4.1		273.0	100.3	
2nd qtr.1996 3rd qtr.1996	4.2	3.3 3.6	5.4 5.2	76.3	117,2	-	3.2	0:8	3,5	"\ r 6.8	109.7			-1.9		283.6	100.9	
October 1995	1.2	1.9	5.4	78.6	111.1	<u> </u>			· · · · · · · · · · · · · · · · · · ·			: <u> </u>		<u></u>	<u> </u>	270.5		
November	1.9	1.7	5.5	76.9	111.9		0.0 1.0	2.6	92 34	109.0 109.8	107.4		• •	-2.2		261.3	100.5	
December	2.5	1.1	5.5	82.5	113.0		3.6	1.7	3.3	1112	108.7			-1.5 -4.4	٠.	283.5	100.7	
January 1996	2.0	0.6	.5.7	79.6	113.9	•	6.1	3.0	3.4	110.1	108.5			-12	•	255.5	100.8	
February	5.3	2.0	· 5.5	78.5	1142		5.5	3.2	33	114.6			•	-7.4		267.1 268.0	100,8	
March	4.7	1.4	5.6	· 78.1	114.6		5.8	-29	3.1	107.4	108.8			-3.4	•	283.8	. 100.5 100.3	
April	4.7	2.6	5.4	76.2	115,4		2.8	0.2	3.4	117.7				_2.1		284.6	100.5	
May	4.6	3.3	5.5 5.2	74.2	116.0	٠.	23	2.7	3.5	1222	. 109.3		•	-2.8		283.0	100.8	
June July	3.2 3.7	4.1 4.0	5.4	78.7 76.7	117 <u>.2</u> 117.7		4.4	-1.1	3.5	110.3	109.7			-0.8	•	283.0	100.9	
August	9,1	3.3	5.1	75.7	118.7		٠.	6.0 - 1.8	3.4	129.2	110.5			-0.5		273.8	101.7	
September		3.5	5.1					1.0			1.19.4		∵ ∵	2.0		268.7	102.5	
		ANCE	• •			<b>#</b> 1	TAL	Y					UNIT	TED KI	NGD	М		
	Person andres		Unamp-	Vacancy *Nde	Composite Intellige	<b>#</b> F	TAL	-	-	Unemp-	Composite Janding		-Pietale	industrial	NGD(	Vectory	Composite	
1995	field) entire primity	Industrial production	Unemp- leyment rate	pigano	Indicator		Retail sties volume	jache: produc	اواد مماد	oyseend - rails	Composite Jending Indicates	<b>=</b>	-Pietali adies Valence	indoppisal production	Unemp- loyenent rate	Vectory tyle inflesior	Composite leading todestor	
1985	Person seles volume 100.0	industrial production 100.0	Unemp- layment rate	100.0	90.0		Retail string volume 100.0	grodes prodes	200 200 0.0	rade - 8.6	Composite janding indicates 88.4		-Pietale sales Valence \$00.0	indoptial production 100.0	Unamp- loyenest rate 11.2	Vectory take inflicator	teding tedestor 90.3	
1988 1987	field) entire primity	Industrial production	Unemp- leyment rate	pigano	90.0 95.7 95.6		Retail sties volume	grodes prodes	ole den 0.0 4.1	8.6	94.6		rolling Volume 100.0 105.3	industria production 100.0	Unemp- layenest rate 11,2 11,2	Vectory take indicator 100.0 116.1	90.3 92.9	
1988 1987 1988	100.0 102.4	100.0 101.1 103.1 107.3	10.3 10.4 10.5 10.0	100.0 107.0 117.2 135.3	90.0 95.7 95.6 100.9		Retail sties volume 100.0 106.8 112.1 107.9	10 10 10	ole den 0.0 4.1	rade - 8.6			-Pietale sales Valence \$00.0	100.0 102.6 108.5	11.2 11.2 10.3	100.0 116.1 147.7	90.3 92.9 96.5	
1966 1967 1968 1969	100.0 102.4 104.5 107.9 109.5	100.0 101.1 103.1 107.3 111.3	10.3 10.4 10.5 10.0 9.4	100.0 107.0 117.2 135.3 160.6	90.0 95.7 95.6 100.9 100.6		100.0 106.8 112.1 107.9 116.9	Indus produc 10 10 10 11 11	200 4.1 6.8 4.2 8.7	8.6 10.4 10.9 10.9	94.5 96.2 100.6 98.7		100.0 105.3 110.8 117.8 120.1	industria production 100.0	11.2 11.2 11.3 8.6	100.0 116.1 141.7	90.3 92.9 96.5 96.1	
1966 1967 1968 1989 1989	100.0 102.4 104.5 107.9 109.5 110.4	100.0 100.1 103.1 107.3 111.3 112.8	10.3 10.4 10.5 10.0 9.4 8.9	100.0 107.0 117.2 135.3 160.6 163.2	90.0 95.7 95.6 100.9 100.6 94.4		Retail sales volume 100.0 106.8 112.1 107.9 116.9	100 100 100 100 110 111 111	one dam 0.0 4.1 6.8 4.2 8.7 8.0	9.6 10.4 10.9 10.9 10.9	94.5 96.2 100.6 98.7 95.4	4	100.0 106.3 110.8 117.8 120.1 121.1	100.0 102.6 108.5 111.6 114.0	11.2 11.2 10.3	100.0 116.1 147.7 144.0 124.3	90.3 92.9 96.5 96.1 94.7	
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1968 1967 1968 1969 1990 1991 1992 1993 1994 1995 4th qtr.1996 2nd qtr.1996	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5	totastal production 100.0 101.1 107.3 111.3 112.8 111.4 110.0 105.8 110.0 111.7	Unemp- legement rate 10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.8	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 95.7 95.7 95.6 100.9 100.6 94.4 95.6 96.8 101.0 96.1 96.1		100.0 106.8 112.1 107.9 116.9 116.9 116.9 116.9 116.9 116.1 102.4	State   product	2 1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	10.8 10.8 10.8 10.8 10.8 10.8 10.3 9.8 9.8	94.6 96.2 100.6 98.7 95.4 97.6 94.7 101.5 103.5		100.0 100.0 100.0 100.3 110.8 120.1 121.1 119.4 120.4 123.9 126.9	Industrial production 100.0 102.5 108.5 111.6 114.0 113.7 109.5 108.4 111.8 117.4 120.4 1.8 1.2	Unamp- loguent rate 11.2 11.2 10.3 8.8 7.2 6.9 8.8 10.1 10.4 9.5 8.7	100.0 116.1 147.7 144.0 124.3 97.7 69.3 69.6 76.5 93.9 107.9	90.3 92.9 96.5 96.1 94.7 92.9 95.3 97.8 104.8 107.1 104.8	
1968 1967 1968 1969 1990 1991 1992 1993 1994 1995 4th qtr.1985 1st qtr.1996	700.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.7 110.7	Industrial production 100.0 101.1 103.1 112.8 111.4 110.0 105.8 110.0 111.7 -2.1 -0.3	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.7 12.3 11.8	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 95.7 95.6 100.9 100.6 94.4 95.5 98.6 96.8 101.0 96.1		100.0 106.8 112.1 107.9 116.9 116.9 116.9 116.9 116.9 116.1 102.4	State   product	150m 0.0 4.1 6.8 4.2 8.7 8.0 6.9 5.4 3.0 7.2 4.5	10.8 10.8 10.8 10.8 10.8 10.8 10.3 9.8 9.8	94.5 98.2 100.6 98.7 95.4 97.4 97.5 101.5 102.0 102.0		Final along values (00.0 105.3 110.8 121.1 121.1 121.1 122.1 122.9 128.5 128.9 1.2	100.0 102.6 102.6 111.6 114.0 113.7 109.5 108.4 111.8 117.4 120.4	11.2 11.2 10.3 8.6 7.2 6.9 8.8 10.1 10.4 9.5 8.7	100.0 116.1 141.1 144.3 124.3 197.7 69.3 69.5 76.5 93.9 107.9 111.5 112.9 121.7	90.3 92.9 96.5 96.1 94.7 92.6 95.3 97.1 104.8 107.1 104.8 105.8	
1968 1967 1968 1969 1990 1991 1992 1993 1994 1995 4th qtr.1996 2nd qtr.1996	700.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.7 110.7	Industrial production 100.0 101.1 103.1 112.8 111.4 110.0 105.8 110.0 111.7 -2.1 -0.3	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.7 12.3 11.8	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 95.7 95.7 95.6 100.9 100.6 94.4 95.6 96.8 101.0 96.1 96.1		Retail siles. 100.0 106.8 112.1 107.9 116.9 116.1 1107.4 102.3 -7.8	3 this profession is a second	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	9.6 10.4 10.9 10.9 10.9 10.3 9.8 10.2 11.1	94.6 96.2 100.6 95.4 97.6 94.7 101.5 102.0 102.0 100.5		100.0 105.3 110.8 117.8 120.1 121.1 119.4 123.9 126.5 128.9 1.2 2.8	100.0 102.5 108.5 111.6 113.7 109.5 111.8 113.7 109.4 111.8 120.4	Unamp- Inguiser rate 11.2 11.2 10.3 8.8 7.2 6.9 8.8 10.4 9.5 8.7	Version Versio	90.3 92.9 96.5 96.1 94.7 92.6 95.3 97.8 104.8 104.8 105.9 107.7	
1988 1987 1988 1989 1990 1991 1992 1993 1994 1995 4th qtr.1996 2nd qtr.1996 3rd qtr.1996 Srd qtr.1996 November	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.5 -2.5 0.7 -1.0	100.0 101.1 103.1 107.3 111.3 111.4 110.0 105.8 110.0 111.7 -2.1 -0.3 -0.2	10.3 10.4 10.5 10.0 8.4 8.9 9.4 10.4 11.8 11.8 11.9	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 95.7 95.6 100.9 100.8 94.4 95.5 96.8 101.0 96.1 96.1 96.0 98.0 98.0 98.2		Retail siles volume 100.0 100.0 1105.8 1107.9 116.9 116.9 1107.4 1007.4	3 to the product of t	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	10.8 10.8 10.8 10.8 10.8 10.8 10.3 9.8 9.8	94.5 98.2 100.6 98.7 95.4 97.4 97.5 101.5 102.0 102.0		100.0 100.0 100.0 100.3 110.8 120.1 121.1 119.4 120.4 123.9 126.9	Industrial production   100.0   100.5   111.8   114.0   113.7   109.5   109.5   111.8   117.4   120.4   120.4   120.5	Unamp- legezent mits 11.2 11.2 10.3 8.8 7.2 6.9 8.8 10.1 10.4 9.5 8.7 8.3 8.2	100.0 116.1 141.0 124.3 97.7 69.8 76.5 93.6 107.9 111.5 112.9 121.7 141.2	90.3 90.3 92.9 96.5 96.1 94.7 92.6 95.8 104.8 105.8 105.8 105.8 105.8 105.7	
1968 1967 1968 1969 1990 1991 1992 1993 1994 1995 4th qtr.1996 2nd qtr.1996 3rd qtr.1996 November December	Retail sales 100.0 102.4 104.5 107.9 109.5 170.4 110.3 110.5 110.7 110.7 110.5 -2.5 0.7 -1.0 0.4 -4.0 -4.0	100.0 100.0 101.1 103.1 107.3 111.2 111.4 110.0 105.8 110.0 105.8 110.0 105.8 110.0 105.8 110.0 105.8 110.0 110.0 110.0 110.0	10.3 10.4 10.5 10.0 8.4 8.9 9.4 11.7 12.3 11.8 11.9 12.2 12.4	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	95.0 95.7 95.6 100.9 100.6 94.4 95.5 96.8 101.0 96.1 98.1 98.0 98.4 98.2 98.2 98.2		Retail sides. volume 100.0 1105.8 112.1 107.9 116.9 11	Indian   I	Marian Marian	10.4 10.9 10.9 10.9 10.9 10.9 10.9 10.3 9.8 10.2 11.1	94.5 96.2 100.6 98.7 95.4 97.8 94.7 101.5 102.5 100.5 100.7		Final address of the control of the	100.0 102.5 108.5 111.6 113.7 109.5 111.8 113.7 109.4 111.8 120.4	Unamp- legenest rates 11.2 11.23 10.3 8.6 7.29 8.8 10.1 10.4 9.5 8.7 8.3 8.2 8.3	Version 100.0 116.1 141.1 144.0 124.3 97.3 69.8 76.5 93.9 107.9 111.5 112.9 121.7 141.2 111.7 112.6	90.3 92.9 96.5 96.1 94.7 92.3 97.8 104.8 105.9 105.9 105.9 105.7	
1988 1987 1988 1989 1990 1991 1992 1993 1994 1995 14th qtr.1996 2nd qtr.1996 2nd qtr.1996 Cottober 1995 November December December	70.00 102.4 104.5 107.9 109.5 110.4 110.5 110.7 110.5 -2.5 -1.0 -2.9 0.4 -4.0 0.2	100.0 100.0 101.1 103.1 107.3 111.3 112.8 111.0 105.8 110.0 111.7 -2.1 -0.2	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.8 11.9 12.2 12.4	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 95.7 95.6 100.9 100.6 94.4 95.5 96.8 101.0 98.0 98.0 98.0 98.2 96.2 96.3		Retail siles volume 100.0 100.0 1105.8 1107.9 116.9 11	3mbs product 100 110 110 111 111 111 111 111 111 11	No. 10 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	10.8 10.8 10.8 10.8 10.8 10.8 10.3 9.8 10.2 11.1	96.5 96.2 100.6 98.7 95.4 94.7 101.5 102.0 100.5 100.7 101.9 101.7 102.0		100.0 106.3 110.3 120.1 121.1 121.1 121.1 122.4 123.9 123.9 123.9 123.9 123.9 124.1 125.9 1.2 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3	industria production (100.0 100.5 100.5 100.5 100.5 100.5 100.5 100.4 10	Unamp- legezent mits 11.2 11.2 10.3 8.8 7.2 6.9 8.8 10.1 10.4 9.5 8.7 8.3 8.2	Version Versio	90.3 92.9 96.5 96.1 94.7 96.1 94.7 97.8 104.8 105.8 105.8 105.8 105.7 104.8 105.7 104.7	
1988 1987 1988 1989 1990 1991 1992 1993 1994 1995 4th qtr.1996 3rd qtr.1996 3rd qtr.1996 3rd qtr.1996 November December January 1996 Pebruary	100.0 102.4 104.5 107.9 109.5 110.4 110.5 110.7 110.5 -2.5 0.7 -1.0 -2.9	100.0 101.0 103.1 103.1 107.3 111.3 112.8 111.4 110.0 105.8 110.0 111.7 -2.1 -0.3 -0.2	10.3 10.4 10.5 10.0 8.9 9.4 11.7 12.3 11.8 11.9 12.2 12.4 11.8 11.9 12.0 12.1	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 95.7 95.6 100.9 100.6 94.4 95.5 96.8 101.0 96.1 96.1 96.2 96.2 96.2 96.2 96.2 96.3		Retail siles volume 100.0 100.0 1105.8 1107.9 116.9 11	3mbs profess 100 100 100 110 111 111 111 111 111 1	0.0 4.1 6.8 8.7 8.3 8.9 5.4 4.2 8.7 9.5 1.6 4.2 4.2 8.7 9.5 7.2 4.5 1.6 4.1 8.3 9.5 7.2 4.5 1.6 8.6 9.5 7.2 4.1 8.3 9.5 9.5 9.5 9.5 9.5 9.5 9.5 9.5 9.5 9.5	9.6 10.4 10.9 10.9 10.3 10.3 10.3 10.3 10.3 10.3 10.3 10.3	96.5 96.2 100.6 98.7 95.4 97.8 94.7 101.5 102.0 102.0 100.7 101.9 101.7 102.0 101.7		100.0 106.3 117.8 120.1 121.1 119.4 120.4 123.9 128.5 129.9 1.2 2.8 1.6 1.7 2.1 2.8 1.7 2.2 2.1 2.8	industria production (100.0 100.5 100.5 111.6 111.8 111.8 111.8 111.8 111.8 111.8 111.8 111.8 117.4 120.4 1.2 1.2 1.2 1.2 1.2 1.2 1.2 1.2 1.2 1.2	Unamp- legente mete 11.2 11.2 10.3 8.8 6.9 8.8 10.1 10.4 9.5 8.7 8.6 8.7 8.6 8.7 8.6 8.7 8.8 8.7	Version 100.0 116.1 141.1 144.0 124.3 97.3 69.8 76.5 93.9 107.9 111.5 112.9 121.7 141.2 111.7 112.6	90.3 92.9 96.5 96.1 94.7 92.9 96.1 94.7 97.8 104.8 107.1 104.8 105.8 105.9 104.7 104.7 104.7	
1968 1967 1968 1969 1990 1991 1992 1993 1994 1995 14th qtr.1996 1at qtr.1996 3rd qtr.1996 3rd qtr.1996 October 1995 November January 1996 Pebruary March	700.0 102.4 104.5 107.9 108.5 110.4 110.3 110.5 110.7 110.7 110.7 110.5 0.7 -1.0	100.0 101.1 103.1 107.3 117.3 117.8 111.4 110.0 105.8 110.0 110.0 110.0 110.0 110.0 105.8 105.8 105.0 105.8 105.0	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.8 11.9 12.2 12.4	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 95.7 95.6 100.9 100.6 94.4 95.5 96.8 101.0 98.0 98.1 98.0 98.2 96.2 96.2 96.5 97.0 97.0		Retail siles volume 100.0 100.0 1105.8 1107.9 116.9 11	3mbs product 10 10 10 11 11 11 11 11 11 12 11 11 11 11 11 11	0.0 4.1 6.8 6.8 6.2 6.7 6.9 6.9 7.2 7.2 7.2 7.2 7.2 7.2 7.2 7.2 7.2 7.2	10.4 10.9 10.9 10.9 10.9 10.3 10.2 11.1 10.2 11.1	96.5 96.2 100.6 98.7 95.4 94.7 103.5 102.0 100.5 100.5 101.9 101.7 102.0 100.5		100.0 100.0 100.0 100.0 110.8 117.8 120.1 121.1 119.4 123.9 126.5 126.5 126.5 126.5 1.2 2.1 2.8 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6	Industrial production   100.0   108.5   108.5   111.6   114.0   113.7   109.5   108.5   117.4   120.4   1.0	Unamp- legeons subs 11.2 11.2 11.2 10.3 8.8 7.2 6.9 8.8 10.4 9.7 8.9 8.3 8.2 8.3 8.3 8.3 8.3 8.3 8.3 8.3 8.4 8.5 8.5 8.5 8.5 8.5 8.5 8.5 8.5	100.0 118.1 144.0 124.3 97.7 69.3 69.5 98.9 107.9 111.5 112.9 121.7 111.5 110.2	90.3 90.3 92.9 96.5 96.1 94.7 92.6 95.3 97.8 104.8 105.9 107.7 105.1 104.8 105.9 107.7	
1988 1987 1988 1989 1990 1991 1992 1993 1994 1995 4th qtr.1996 2nd qtr.1996 3rd qtr.1996 Srd qtr.1996 November December January 1996 February March Aorii	100.0 102.4 104.5 107.9 109.5 110.4 110.5 110.7 110.5 -2.5 0.7 -1.0 -2.9	100.0 101.1 103.1 107.3 117.8 111.4 110.0 105.8 110.0 111.7 -2.1 -0.2 -2.4 -2.3 -0.6 0.4	10.3 10.4 10.5 10.0 8.9 9.4 11.7 12.3 11.8 11.9 12.2 12.4 11.8 11.9 12.0 12.1	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.07 95.7 95.6 100.9 100.6 94.4 95.5 93.6 96.1 96.1 96.1 96.2 96.2 96.2 96.2 96.3 96.3 96.3 96.3 96.3 96.3 96.3 96.3		Retail siles volume 100.0 100.0 1105.8 1107.9 116.9 11	######################################	0.0 4.1 6.8 8.7 8.0 8.0 8.0 8.0 8.0 8.0 8.0 8.0 8.0 8.0	10.9 10.9 10.9 10.9 10.9 10.3 10.3 10.2 11.1	96.5 96.2 100.6 98.7 97.6 97.6 97.6 102.0 102.0 102.0 100.7 101.7 101.7 101.0 100.5		100.0 106.3 117.8 120.1 127.1 129.4 123.9 126.5 128.9 1.2 2.1 2.8 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6	idential production (100.5) 100.5 1114.0 113.7 109.5 108.4 111.8 117.4 120.4 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5	Unamp- layunati 11.2 11.2 10.3 8.8 7.2 6.9 8.8 10.1 10.4 9.7 8.6 8.7 8.6 8.7 8.6 8.2 8.5 8.8 8.2 8.8 8.8 8.8 8.8 8.8 8.8 8.8 8.8	100.0 116.1 141.1 144.0 124.3 97.7 69.3 69.6 76.5 93.9 107.9 111.5 112.6 112.7 141.2 111.7 112.6	90.3 92.9 96.5 96.1 94.7 96.1 94.7 95.3 97.8 104.8 105.8 105.8 105.7 104.7 104.7 105.2 105.2 105.8	
1968 1967 1968 1969 1990 1991 1992 1993 1994 1995 14th qtr.1996 1at qtr.1996 3rd qtr.1996 3rd qtr.1996 October 1995 November January 1996 Pebruary March	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.5 -2.5 -1.0 -2.9 -2.9 -2.9 -2.9	100.0 100.0 101.1 103.1 107.3 112.8 111.3 112.8 111.0 105.8 110.0 111.7 -2.1 -0.2 -1.5 -2.4 -2.3 -0.6 0.4 -0.6 0.1	10.3 10.4 10.5 10.0 8.9 9.4 11.7 12.3 11.8 11.9 12.0 12.0 12.0 12.2 12.3 12.4 12.4	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 95.7 95.6 100.9 100.6 94.4 95.5 96.8 101.0 98.0 98.1 98.0 98.2 96.2 96.2 96.5 97.0 97.0		Retail siles volume 100.0 100.0 1105.8 1107.9 116.9 11	3 mbs product 10 ms 10 ms 10 ms 10 ms 11 m	0.0 4.1 6.8 6.8 6.2 6.7 6.9 6.9 7.2 7.2 7.2 7.2 7.2 7.2 7.2 7.2 7.2 7.2	10.4 10.9 10.9 10.9 10.9 10.5 10.2 11.1 10.2 11.1	96.5 96.2 100.6 98.7 95.4 94.7 103.5 102.0 100.5 100.5 101.9 101.7 102.0 100.5		700-0 705-3 110-8 110-8 117-8 121-1 119-4 120-4 123-9 128-9	industrial production production production production 100.5 108.5 111.6 111.8 111.8 111.8 111.8 1120.4 120.4 120.4 120.4 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0	Unamp- legener 11.2 11.2 10.3 8.8 7.2 6.9 8.8 10.4 9.8 8.7 8.9 8.7 8.9 8.3 8.7 8.9 8.3 8.7 8.9 8.3 8.3 8.3 8.3 8.3 8.3 8.3 8.3 8.3 8.3	100.0 116.1 141.1 144.0 124.3 97.7 69.8 76.5 93.9 107.9 111.5 112.9 121.7 141.2 111.7 111.6 115.8 115.8 115.8 115.8	90.3 90.3 92.9 96.5 96.1 94.7 92.6 95.3 97.8 104.8 105.9 107.7 105.1 104.8 105.9 107.7	
1968 1967 1968 1969 1990 1991 1992 1993 1994 1995 1st qtr.1996 2nd qtr.1996 3rd qtr.1996 3rd qtr.1996 November December January 1996 Pebruary March April May	Retail sales 100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.5 -2.5 0.7 -1.0 0.2 2.9 -1.0 0.2 2.9 -2.3	100.0 101.1 103.1 107.3 111.3 112.8 111.4 110.0 105.8 110.0 111.7 -2.1 -0.3 -0.2 -1.5 -2.4 -0.6 -0.6 -0.8 -0.8	10.3 10.4 10.5 10.0 8.9 9.4 10.4 11.7 12.3 11.8 11.9 12.0 12.1 12.3 12.3 12.4 12.5	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	95.07 95.6 100.9 100.6 94.4 95.5 96.8 101.0 96.1 96.1 96.1 96.2 96.2 96.2 96.3 96.3 96.3 96.3 96.3 96.3 96.3 96.3		Retail siles volume 100.0 100.0 1105.8 1107.9 116.9 11	3mbs profess	0.00 4.1 6.2 8.7 6.8 8.0 6.8 8.0 8.0 8.0 8.0 8.0 8.0 8.0 8.0 8.0 8	10.4 10.9 10.9 10.9 10.9 10.3 10.2 11.1 10.2 11.1	96.5 96.2 100.6 98.7 95.4 97.8 94.7 101.5 102.0 102.0 102.0 101.7 101.0 101.7 101.0 100.5 100.5		100.0 106.3 117.8 120.1 127.1 129.4 123.9 126.5 128.9 1.2 2.1 2.8 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6	industrial production (100.6) (102.6) (114.0) (113.7) (108.4) (117.4) (120.4) (1.6)	Unamp- layunati 11.2 11.2 10.3 8.6 8.9 8.0 8.7 8.6 8.7 8.6 8.5 8.6 8.5 8.4 8.2 8.4 8.2 8.2	100.0 118.1 141.1 144.0 124.3 97.7 69.3 69.5 76.5 93.9 107.9 111.5 112.9 121.7 141.2 111.6 115.8 115.8 115.8 120.8	90.3 92.9 96.5 98.1 94.7 92.8 95.3 97.8 104.8 105.8 105.8 105.7 104.7 104.7 105.9 105.9 105.9	
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nources except lapen and this (value series defi-city), industrial productions data from institutal menufacturing only and UK (also includes constru-uestoployment used in official sources. Vacancy in tion of series, cyclical fluc Bucaram is singing a confusing song to would-be foreign investors, writes Justine Newsome

President Abdala promotion of foreign invest-Bucaram of Ecuador ments, economic modernisagave an elaborate luncheon this month for Ms Lorena Gallo, an Ecuadorean who achieved notoriety in the US in 1993 by severing the penis of her husband, Mr John Wayne Bobbit. A day later, due to attend an important conference and reception for foreign investors. Mr Bucaram and his energy minister failed to

turn up. Mr Bucaram may have been miffed: the Economist magazine had organised the conference and on the first day a representative from its EIU subsidiary explained why Ecuador deserved its "D" risk rating, putting it on a par with sub-Saharan

But the president's noshow was only the latest of a series of confusing signals that Mr Bucaram has sent to foreign investors, local entrepreneurs and Ecuador's population about the government's economic plans.

An economic programme, already twice postponed, is now expected to emerge in mid-November. But it is not clear how it will reconcile Mr Bucaram's high-spending campaign promises with his economic team's subsequent

ments, economic modernisation and institutional

After Mr Bucaram's July election victory, business was reassured by his appointment of financiers to economic posts, the ratification of the internationally respected Mr Augusto de la Torre as head of the central bank, and the announcement of a commitment to strict fiscal discipline.

The initial outlook for the economy was reasonably positive. An eight per cent devaluation of Ecuador's currency, the sucre, on August 12 cut speculation over a future devaluation.

This helped to ease pressure on interest rates and allowed the government to buy dollars in the foreign exchange market, injecting liquidity into a struggling financial sector. With oil export revenues also buoyant thanks to higher prices. foreign reserves recovered from \$1.5bn to a record \$1.8bn earlier this month. Inflation meanwhile has accelerated slightly, partly for seasonal reasons, to 25

The government's main stated aims are to reactivate the economy and reduce pov- Pablo Concha, finance minispledges of fiscal discipline, erty. Real GDP growth was a ter. aims to balance the 1997

per cent in September.



Bucaramalamadingdong: the populist president promotes his own rock record Popperiors

sluggish 2.3 per cent in 1995. while up to two thirds of Ecuador's 11.6m population

is classified as poor. Mr Bucaram has already launched subsidised milk and food programmes and a popular housing scheme. In the short term, the government must tackle a public sector deficit of around 3 per cent of GDP for 1996, inherited from the previous administration. Then Mr

budget, to be sent to Congress on Thursday. Ecuador may re-enter the international capital markets in order to improve its

debt profile.

Debt service accounts for around 35 per cent of government spending. The emphasis will be on foreign rather than domestic borrowing so as not to push interest rates up again and withdraw liquidity from the financial

sector, said Mr de la Torre

and Mr Alvaro Noboa, presi-

dent of the monetary board. Accord with the International Monetary Fund is needed, not least as a prerequisite to renegotiate Ecuador's Paris Club debt, on

which it is running arrears

of \$200m. Mr de la Torre said he expected the priority in public investment to shift to housing, education and health. The emphasis should be on institutional reforms, to increase the efficiency of expenditure and to gain the

The finance ministry is considering options such as eliminating the subsidy on gas, restructuring electricity and telephone tariffs, removing exemptions on value added tax and revising public sector wage policy. A programme of concessions of public works, such as road building and maintenance, is also set to release resources. Privatisation of 35 per cent of the state telecom tions company, Emetel, is

scheduled for April 1997. But while these changes are being discussed, foreign investors are receiving a quite distinct message.

In August, the government attempted unilaterally to terminate a contract with oil company Maxus. In September. Mr Bucaram backed away from eliminating the gas subsidy, because of its impact on poorer voters. Under pressure from unions, an electricity privatisation

bill passed by Congress last month was also put on hold. There are still potential investors who regard the administration's enthusiasm to attract foreign investment as genuine. But the worry remains about Mr Bucaram's lack of enthusiasm for politically unpopular reforms.

AMERICAN NEWS DIGEST

## US car accord deadline missed

General Motors and the US United Auto Workers union failed to meet a deadline of midnight on Sunday to finalise a new three-year labour accord. Negotiations were due to resume later yesterday amid signs the two sides remained on track for a peaceful conclusion.

The deadline had been set by Mr Stephen Yokich, president of the UAW, in what was seen as an attempt to pressure GM to agree to more of the union's demands on outsourcing. The passing of the deadline leaves the US's biggest carmaker open to plant-level stoppages or even a full national strike if it cannot reach an early agreement. The two sides are believed to have agreed in principle to a framework agreement similar to those already adopted at Ford and Chrysler. Negotiations are continuing on details which could have a big effect on the impact of the contract. The industry-wide pattern agreement extends ob security to 95 per cent of UAW members, but some plants or workers may be left out of the Richard Waters, New York

#### Canada banks to cut rate

Canada's banks will shave their prime lending rate today from 5.25 per cent to 5 per cent, the lowest level in four

The cut, the third in the past month, reflects aggressive action by the Bank of Canada to stimulate weak domestic demand, as well as a bullish mood towards Canada in financial markets.

A combination of low inflation, record trade surpluses and improving public-sector finances have enabled Ottawa to pursue monetary policies relatively independent of the US Federal Reserve.

US banks charge a prime rate of 8.25 per cent. The yield on Government of Canada 10-year bonds last week slipped below equivalent US Treasury securities for the first time in over a decade.

The Canadian dollar took the latest interest-rate cut in its stride, rising slightly yesterday morning to about 74.30

#### Coalition wins in Chile

Chileans voted for the status quo in nationwide municipal elections on Sunday, with the ruling centre-left coalition taking 56 per cent of the votes, up 3 points on its share in the last municipal elections in 1992.

With 96 per cent of the results in, the rightwing opposition coalition, Union for Chile, also had reason to be pleased, with a 3-point rise in its vote to 33 per cent. The results are being read as changing the balance in

jockeying for position for the 1997 congressional elections and then the 1999 presidential poll. On the right, the junior Independent Democrat Union, UDL celebrated the re-election of one of its leaders, Mr Joaquin Lavin, with a massive 77 per cent of the votes in Las Condes, Santiago's and Chile's richest municipality.

He will now be frontrunner as the right's presidential

both coalitions, where parties and politicians are already

In the ruling coalition, the Socialists and the Party for Democracy, PPD, rejoiced over a joint 23 per cent of the vote, which puts them within 3 points of the hitherto-unchallenged Christian Democrats, and reinforces the position of their leader, Mr Ricardo Lagos, the minister for public works. Imogen Mark, Santiago

## Consortia awarded Falklands oil licences

By Robert Corzine

Falkland Island officials say yesterday's award of oil exploration licences reflects "a balanced cross-section of the oil exploration industry". in spite of the exclusion of an Argentine company.

Those companies selected to explore the area north of the islands are from the UK. North America, Europe and Asia, as well as Desire Petroleum, a group formed in part to represent the interests of the Falkland islanders

Shell, the Anglo-Dutch Fina of Belgium. group and the western

jarija (kirina)

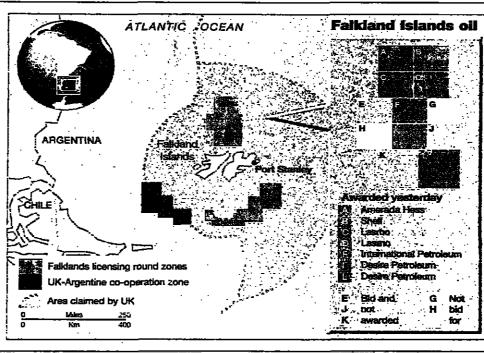
and its partner, Agip of Italy, tively small companies in are expected to spend about a quarter of the \$200m that the winning consortia will commit in total over the next five years.

Shell won the rights to explore in Tranche B, which along which Tranche A proved to be the most sought-after area.

Amerada Hess, the US company which is the fifth largest producer in the UK sector of the North Sea, will operate the Tranche A licence, which also includes

the winning consortia should not be a constraint on exploration

Although the results of the licensing round suggest a high degree of international interest in the Falklands, analysts warn against undue optimism. They point to the industry experience in the deep water west of the Shetland Islands in the UK, the area most often compared to the Falklands. More than £1bn (\$1.56bn) was spent in exploration west of the Shetlands over more than 15 Industry analysts say that years before any fields world's largest oil company, the presence of many rela- proved commercially viable.





## As Clinton looks set for victory, FT writers examine his party's wider hopes for November 5

# Can the Democrats carry Congress too?

commonplace to believe that the last US election before the millennium would be among the most important of the 20th century.

It appeared to pose a choice between the radical conservative revolution that had helped propel Republicans into control of Congress in 1994 for the first time in 40 years, and a fragile status quo represented by President Bill Clinton and the Democratic party, who once justifiably considered themselves the architects of

Mr Ross Perot's new Reform party also threatened to complicate matters for the two main parties.

Whenever Congressman Newt Gingrich, the Speaker of the House, confidently declared, as he frequently did, that it took two elections to bring about a real revolution, dissent was muted and Democrats mostly quaked in their boots. Now the choice confronting the American people a week today looks much less cosmic. The Gingrich-led charge has been repulsed. defeated by its own hubris. skilful defence by Mr Clinton and his party, and an economy healthy enough to make any incumbent blush.

The Republicans, divided every which way between a hard right and a soft middle, were unable to come up with a presidential contender capable of energising and uniting the party. Instead they saddled up an old war horse, the 73-year-old Bob Dole from Kansas, a man to whom honourable compromise was an art form during 35 years in Congress but who, as a candidate, could never compete with a man 32 years his junior and one of the most gifted campaign-

ers in memory.
Mr Perot has also disappeared from most political radar screens, familiarity with his eccentricities - less evident in 1992 - having bred something close to indifference.

Thus, unless every poll and pundit and all intuitions are hopelessly wrong, Bill Clinton will beat Bob Dole next week. Doubt centres only on the margin of victory, which could be as big Republican seats vacated by as the landslides of 1936, 1972 retirement include Colorado

and 1984 or be respectably solid, sufficient to permit Mr Dole to retire with dignity.

It is devilishly difficult to predict the outcome in either chamber. General factors seem evenly balanced. On the one hand, a nation at peace and with its economy robust should belo all incumbents and could preserve the Republican majorities. On the other, while Mr Dole apparently has no coat tails for Republican candi-dates to cling to, Mr Clinton may prove to have some, winning marginal seats for

But there is also evidence that Americans are comfort-able with a divided government - a president of one party. Congress at least partly run by the other though how this may be quantified in individual races is unanswerable.

This year 34 of the 100 Senate seats will be determined ~ 19 now held by Republicans, 15 by Democrats. But the number of Democratic retirees (eight) outnumbers Republicans (six). Battles for these "open" seats will be especially critical.

in Illinois (Paul Simon).

A Clinton victory will be hailed as "historic" because no Democratic president since Franklin Roosevelt in 1936 has been re-elected to a second term. Given the personal travails of his first four years, that would also be a remarkable achieve-

But, as it currently stands, the real significance has shifted to the battle for control of Congress, now run by the Republicans with margins of 53-47 in the Senate and 235-198 in the House. The lower chamber also has one vacancy and a sole unaffiliated member. Mr Bernie Sanders, the socialist from Vermont, who invariably votes with the Democrats.

One, the Alabama Demo

cratic seat held by Mr Howell Heflin, seems likely to go Republican. Also very much in play are the Democratic seats in New Jersey (formerly Bill Bradley), Arkansas (David Pryor), and Louisiana (Bennett Johnston). The Republicans also have hopes in Georgia (Sam Nunn) but now fading ones Apparently vulnerable

Two-thirds majority needed

to over-ride presidential veto

Majority\_\_\_

The battle for electoral college votes; who leads and where The Midwest The South The East Clinton landslide? The West inclined to candidates but in margin of error Looks like a 12-state Clinton sweep, plus Washington, Once considered Dole's must-Now the Republican The Pacific coast states look solid for Clinton, with California the one that heartiand, the Dole camp win region, the big industrial DC. That could cost tes are leaning heavily even has hopes of carrying matters most. Remarkably, polls put him ahead in towards Clinton, except Tennessee, home of Vice-Republicans Senate seats in Total 412 dent Gore. But all eyes Maine and New Hampsi tf each state

Indiana. Dole has home-state Arizona, which has the Kansas in his pocket, plus Nebraska and maybe both longest unbroken string Dakotas in the prairies, but his old Kansas Senate seat is in Republicans. Dole strongest in smaller mountain states some jeopardy, and once-(Idaho, Wyoming, Utah). threatened Democratic seats Democrats aim to pick up 10 in Illinois, Minnesota and House seats in California and Michigan now look safer. Several House Republican Washington. Close Senate races in Colorado, Oregon and possibly Wyoming, all freshmen face tough reelections. Democrats set to held by retiring Republicans Congressman Dan tenkowski's old district in

lost in the primaries), Maine

likely, Wyoming (Alan Simp-

safe. Hard-pressed Demo-

cratic senators include Paul

Wellstone (Minnesota) and

John Kerry (Massachusetts)

while among endangered

Republicans are Bob Smith

The Democrats need a

net gain of four seats

to regain outright

draw even, and, if

President Clinton is

President Gare could

cast a Senate vote

re-elected. Vice-

Pressler (South Dakota). (Hank Brown), Kansas (Bob Even Republican Senator Dole's interim replacement Jesse Helms of North Caro-(William Cohen), Oregon lina, bidding for a fifth term, (Mark Hatfield) and, less is not entirely out of the woods against Mr Harvey Gantt the black former mayor of Charlotte. Not all incumbents are

The remaining 18 - 11 Republicans and seven Democrats - offer fewer prospects of upsets. That means the Democrats will need to win most of the close races (New Hampshire) and Larry to recover their majority -

The Democrats

gain to win back

the sole

supports

them, is

independent.

who normaliv

need a 19-seat net

the required net gain is three, assuming vice president Al Gore can cast tiebreaking votes, as per the constitution.

are on Texas and Florida.

which, despite poll leads by

Dole and Clinton respectively

remain close, and on Virginia,

surprisingly leaning to Clinton

Good chances of Republican

Senate gains in Alabama,

Louisiana, possibly Georgia

and even Clinton's Arkansas

scattered across the region,

and for new House seats

The 435-member House is even tougher to call, it features 52 open seats, 29 of them vacated by Democrats. But 70 of the 74 Republican freshmen class of 1994 will be seeking their first reelections, more than 20 of them defending slim majori-

Majority —

Two-thirds majority

Both party totals exclude one scant seat (held by a Republican

who died this year), and the

total includes the sole

Needing a net gain of 19, the Democrats seem to have their best regional hopes on the west coast. At least five Republican seats in California - including, if he is to be believed, that of the unreconstructed rightwinger, Bob Dornan - are under serious threat. So may be all five wrested from Democrats in

plus the governorship of New Hampehire. But two key

Senate races, both with

Democratic incumbents

seem immune to regional trends - John Kerry against

Republican Governor Bill

possibly Robert Toricelli

against Republican Dick

Republican House for

Weld in Massachussetts, and

Zimmer in New Jersey. Some

vulnerable in New York, New

also help more than most in been able to produce sub-

Washington state two years

the north-east, where he holds some commanding leads, but elsewhere local and regional factors are likely to be predominant. In Texas for example, and a few southern states Republican control is becoming more entrenched.

It is also worth remembering that only in the Johnson and Reagan landslides of 1964 and 1980 has the victori-Mr Clinton's coat-tails may ous presidential candidate

stantial gains for his party in the House.

The third tier of elections next week concerns state governorships, though only 11 of the 50 are at stake, all in small to medium-sized states. The current line-up has 32 Republicans and 18 Democrats, with 1994 producing an unprecedented net gain of 10 for the Republi-

The picture is unlikely to change much, because seven of the 11 contests are for Democratic-held seats: The Republicans could pick up Indiana, where Governor Evan Bayh cannot run for another term, and conceivably lose New Hampshire, where Stephen Merrill is retiring. But all seven incombents seem assured of being returned.

Elections will also be held across the country for state and local governments and offices. The most widely watched will be in California, where the Republican majority in the assembly is the bare minimum - one

Ballots will be littered with propositions, mostly local but some with potential national public policy consemences.

The most obvious are in California, which will vote on the abolition of state involvement in affirmative action programmes, and Col-orado, which is being asked to tax church and charitable real estate holdings and has a highly controversial "parental rights amendment" sponsored by Christian and other conservatives.

The presidential election also has an impact on the federal bench. At least two Supreme Court justices, including Mr William Rehnquist, the chief, are contemplating retirement. The nex president, therefore, will have the opportunity further to shape the Court in his image long after he has dis-

appeared from the scene.
But it all amounts, barring the totally unpredicted, to an election much less far-reaching in its import than once seemed likely. For the American public, one revolution (the 1770s) and one civil war (the 1860s) may be enough for most millen-

Jurek Martin

## 'Bill Clinton in a dress' leads labour bid to re-enter politics

he competition calls her "Bill Clinton in a dress" - Ms Debbie Stabenow is a flame-haired, thick-ankled, female version of the campaigner-in-chief, fighting to unseat an incumbent Republican in one of the toughest congressional races in the nation.

But she is relying on more than Clintonesque charisma to propel her to victory in a district which the Democrats must win if they are to regain control of Congress, and which the Republicans cannot afford to lose. This matronly mother of two has big money to bolster her Democratic message money from big labour.

Never mind that she is the kind of "new" Democrat who is as likely to vote for tax cuts as for minimum wage rises; or that this veteran state legislator has never been cozy with unions in the past. Labour needs her now to help reverse the tide which brought ultra-conservative Republicans like her opponent, Mr Dick Chrysler. to Congress in 1994. With the nickels and dimes of its members - 15 cents per member per month, according to the AFL-CIO, the giant labour federation and with tens of thousands of hours of their donated time, labour plans to win the

Union organisers blame themselves in part for 1994: with the union movement languishing in self-doubt, and little time or money spent on politics, union members deserted their traditional party, the Democrats, and voted 40 per cent Republican. But the Republican Congress proved too radical for many, provoking a retreat to the Democratic party, which now commands 46 per cent support among union members, against 24

per cent for Republicans. A reinvigorated union leadership has exploited that shift to make labour a force in national politics for the first time in a generation. If the right is defeated at the polls next Tuesday, it will be – at least in part – because of an unprecedented count-

er-mobilisation of the left. This began months ago when the AFL-CIO said it would spend \$35m to buy television advertising in 75 "swing" congressional districts with high union membership (nationwide, the fig-

ure is only 15 per cent) and with an "anti-worker" congressman. The money was to be spent "educating" memcounter-revolution. bers about the coming poll, not campaigning for specific candidates. Federal election law allows unions to spend an unlimited amount on such "issues advocacy" - so long as they avoid endorsing

But the fine line between educating and electioneering is often crossed, not least in the 8th Congressional district in Michigan, scene of the Chrysler-Stabenow battle. "We've never said 'don't vote for Dick Chrysler, vote for Debbie Stabenow'," says Ms Barbara Smith, AFL-CIO campaign co-ordinator in the district, which takes in car plants and rural farms. She has been directing a corps of 250 union volunteers to

evils of the 104th congress. "Right now, we're calling every member we can find to mobilise the vote," she says, noting that labour hopes to reach 50,000 of its 66,000 district members - and that Mr Chrysler won the district by only 14,000 votes in 1994. Ms Smith insists this is not a partisan effort: "We say, multi-millionaire Dick

"educate" members on the

for whomever you vote want, but do vote." But the hundreds of union members expected to take holiday leave to join the Stabenow campaign will operate under no such constraints.

They can distribute campaign literature, or help plant groves of little foothigh yard signs proclaiming the simple word "Debbie!" on central Michigan's front lawns, without attracting the attention of the Federal Electoral Commission.

But if the unions have found ways around the campaign finance laws in retail politics, they have done the same in the wholesale realm. They are not allowed to advertise for Ms Stabenow, so instead they advertise against Mr Chrysler. Business mobilised a tardy

counter-attack, running ads denouncing the unions. "The big labour bosses. Big money. Big lies. Big liberals," said the announcer. But Mr Chrysler says the business response was nothing but "a pimple on a gnat's derriere". In the public mind, the image of an elderly grandmother pleading with viewers not to let

Chrysler cut her Medicare health insurance is the more powerful.

"That's the real story of 1996 - coercing union dues out of working people," says Mr Chrysler, who alleges an unprecedented power grab by the union bosses in Washington to take back control of Congress". Union officials acknowledge some complaints about use of dues for political purposes, but say polls show members support their campaign by a 6:1 mar-Union money, and the

innate campaign skills of the Democratic candidate, may yet propel Ms Stabenow to involvement in global victory. But both sides agree trouble spots (Bosnia, the race is too close to call. So tonight, like every East). Last week he night until November 5, committed the US to union members will be man-He frequently cites the ning phone-banks to turn achievements of tough out the labour vote for Stabenow. And if the thickets of little yard signs are anything to go by, she may yet win. Even in the main street of Mr Chrysler's home town, Brighton, the signs cry out "Debbie!": Clinton in a dress,

idential coat-tails. Patti Waldmeir

hoping for a ride on the pres-

## WHERE THEY STAND

VOTES OT

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November 5 as

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Carolina (14) as

538 electoral

270

**Total** 

108

## Clear distinctions

Clinton and Mr Bob Dole must cast themselves on the opposite sides of virtually every public policy issue. Each has tended to portray the other's positions in the most negative light, but clear distinctions are very visible.

■ The sconomy. Mr Clinton's prescription is not to rock a steady boat. He professes to believe in a balanced federal budget but thinks it can be achieved gradually by continuing policies that have brought about a reduction from about \$300bn (£187bn) to less than \$120bn since he took office. He favours targeted middle-class tax cuts, for educational purposes and for homeowners, worth about

\$20bn over five years. Mr Dole is a convert to Reagan-style supply side economics. He advocates 15 per cent across-theboard income tax cut, a halving of capital gains tax rates and other cuts totalling \$550bn. Growth. he says will take care of the deficit but favours a constitutional amendment to balance the budget.

Foreign policy, the forgotten issue of the campaign, rarely raised by either. Mr Clinton is running mostly on his record of careful but determined US Northern Ireland, the Middle expansion of Nato by 1999. market-opening agreements with US trading partners. Mr Dole, who supported

JS troop deployment in : Bosnia and the Nafta and Gatt trade agreements, mostly complains that weak US leadership under Mr Clinton has undermined international confidence. He

wants faster Nato expansion, an expanded missile defence capability extended to US allies, a bigger Pentagon budget and an even more aggressive trade policy. ■ Education has emerged

as a real factor in the election, a reflection of national concern over standards. The Clinton goal is that every eight-year-old should know how to read, every 12-year-old how to log on to the internet and every 18-year-old be guaranteed a place in college. He stands for tuition tax credits and expanded student loans from the government, with longer repayment periods. Mr Dole wants to abolish the federal Department of Education, turning control back to states and parents. increase bank lending for student finance and introduce nationally tuition vouchers and a federal-

state programme of "opportunity scholarships" for private schools. He would dismantle : Americorps, Mr Clinton's prized national service scheme. A favourité target has been the largest teachers' union, which he accuses of liberal bureaucracy run tiot:

Health, pensions and weltare: This hardy perennial trio has attracted more negative advertising, from both camps, than almost any other subject Mr Clinton, having failed to reform the whole national health system in 1994. claims Medicare (for the old) and Medicaid (for the poor and disabled) can be preserved through careful cost controls without reducing essential services

and coverage. He says Republican tex cuts could only be paid for by deep cuts in both programmes. After two vetoes, he signed the

Republican welfare reform bill, but promises to "improve" it in a second term, and insists the social security system (pensions) is financially viable well into the future. .

Mr Dole insists the president wants to impose a massive new federal bureaucracy on healthcare and distorts Republican positions on Medicare and Medicaid, both of which, he says, will go bankrupt without radical reform. He broadly advocates state rather than federal control, wherever feasible. He favours expanded private retirement accounts.

Crime: Mr Clinton has gone to great lengths to rebut the conventional Republican accusation that all Democrats are soft on criminals. The president not only touts the Brady bill, restricting handgun sales and his programme to put 100,000 more policemen on the beat but also advocates constitutional if vague guarantees for the victims of crime, as does Mr Dole.
The Dole counter is to

doubt the effectiveness of new handgun controls and statistics showing crime going down. He also opposes the ban on the sale of semi-automatic -assault weapons. But his sharpest charge is that Mr Clinton has abandoned the war against narcotics.

The environment appears to be working heavily in Mr Clinton's favour, mostly as a reaction to Republican attempts in Congress to eviscerate many regulations and the national parks system life regularly cities toxic waste-programmes, clear air and water improvements and wilderness profection. Mr. Dole mostly complains if at all, about the heavy bureaucratic federal hand-

Jurek Martin



# envoy fails to seal pact

By Judy Dempsay In Jerusalem and Ljonel Barber

Mr Dennis Ross, the US co-ordinator to the Middle East peace talks, yesterday returned to Washington, apparently unable to seal an agreement for the Israeli troop redeployment from the West Bank town of Hebron.

His departure coincided with the start of a week-long visit tok Europe by Mr Yassir Arafat, president of the Palestinian Authority, and the appointment of Mr Miguel Angel Moratinos, a Spanish diplomat, as the European Union's special envoy to the Middle East.

The appointment raises Europe's diplomatic profile in the region aloneside the US. It follows a sustained campaign by France for a greater European role in the

EU foreign ministers meeting in Luxembourg gave Mr Moratinos a broad mandate to observe the peace process, establish relations with Israeli and Palestinian negotiators, and to report on pos-

sible EU actions. Mr Moratinos, 45, a career diplomat and Middle East expert, was appointed Spanish ambassador to Israel last June. He took part in the 1991 Madrid peace conference and was previously director general of foreign policy for Africa and the

Israel last night said it would welcome any EU envoy, but added it could not see what contribution he could make beyond what the US was doing.

Under pressure from President Jacques Chirac of min Netanyahn, the Israeli France, the EU has assumed a more active diplomatic role, partly to counter what additional \$1bn to prepare Paris believes is an excessively pro-Israeli stance in Washington but also to reflect Europe's substantial defence minister, who is confinancial assistance to the

EU officials emphasised that the appointment of Mr kept open.

to challenge the US brokering role in the region or to establish a new negotiating presence alongside Mr Ross.

In a statement before his return to the US where he will consult with Mr Warren Christopher, the secretary of state, Mr Ross said the "parties have narrowed the gaps significantly on the security issue" for the Jewish settlers in Hebron.

He added that the past four weeks of talks had begun to "rebuild trust and confidence in each other and to resolve many of the key differences standing in the way of implementation of the [1995 Israeli-Palestinian] Interim Agreement".

Palestinian negotiators The Bank of Israel yesterday reduced its key lending rate for November by 0.3 points

to 15.2 per cent disappointing the business community, which has been calling for greater rate cuts as well as a devaluation of

the shekel. The small reduction confirms the central bank's determination not to bow to pressure from exporters until the budget deficit is further reduced.

point out that Israeli demands on the security issue breach the agreement, particularly the question of "hot pursuit" which, if ever agreed, would give Israeli soldiers the right to enter Palestinian-ruled territory.

The stalemate in the talks is leading the defence ministry to press for a larger slice of next year's budget.

After meeting Mr Benjaprime minister, last week defence chiefs requested an the army for a possible war against Syria. But Mr Yitzhak Mordechai, the Israeli sidered one of the less hawkish Likud ministers, said the diplomatic option must be

## French seek big role in talks for EU diplomat

STAND

France believes the role of the European Union's new special Middle East envoy ishould be "as large as that of Dennis Ross [the US's Middle East mediator] and certainly no less," diplomats said in Paris yesterday.

In the wake of President Chirac's swing through the region, including his stormy visit to Israel, France considers the time has come for Europe to use its close contacts with the Palestinians and Arabs in the peace process, complementing US ties

In the French view, this would involve the EU in effect taking over the role of co-sponsoring the Middle East peace process which was given to the pro-Arab Soviet Union in 1991, but which the latter was unable to play because it disintegrated as a country later

Diplomats say the EU envoy would have to work closely with Mr Ross, but claim Mr Benjamin Netanyahu, Israeli prime minister, was less opposed in private

to EU involvement than he had proclaimed publicly.

They say France is work ing closely and successfully with the US in the surveillance committee set up last spring to oversee the truce in Lebanon between Israeli forces and those of the Hizbollah guerrillas.

The diplomats claimed Mr Netanyahu - more than his predecessor, Mr Shimon Peres - used Mr Chirac last week to pass messages to Mr Yassir Arafat, the Palestinian leader, and to President Hafez al-Assad of Syria.

Meanwhile, inside France Mr Chirac's Middle East tour has drawn a mixed reaction. According to an Ifop poll. published in the Libération cent of French thought their president was right to protest publicly about his Israeli bodyguards and their apparent manipulation of his visit to Jerusalem. Equally, however, 45 per cent thought his trip was a diplomatic failure, and 80 per cent believed France should act within the context of a common European foreign policy

## Hunger killing 4,500 children a month in Iraq

By Michael Littlejohns, UN

The United Nations aid agency, Unicef, said yesterday that 4,500 children under five were dying of hunger and disease each month in Iraq because of a lack of funds to obtain humanitar- response on "donor fatigue" ian supplies. Such funds are exempted from international

sanctions imposed on Iraq. Ms Carol Bellany, the agency's head, quoted the

Correspondent, in New York co-ordinates UN humanitarian aid, reported that only \$1.6m - from France and the Netherlands - had been conpributed to his fund for Iraq. Its three-month goal was

He blamed the poor and the expectation that there would eventually be a breakthrough in the food-for-oil scheme which would release \$1.3bn to Iraq figure yesterday, describing for purchases of food and the situation as "a terrible medicines in the first six

#### **NEWS: INTERNATIONAL**

## US Mideast Oil boom beckons for tiny African state

Antony Goldman on hopes and doubts over new wealth in impoverished Equatorial Guinea

n a country so small and impoverished the telephone directory lists its few subscribers by their first names, a revolution will take place later today. At what the oil ministry describes as "a solemn act of inauguration" Mr Teodoro Obiang Nguema Mbasogo, president of the central African state of Equatorial Guinea, and Mr Paul Hoenmans, execuexpectancy is 48. tive vice-president of Mobil

open the country's first commercial oil field. Offshore production from the Zafiro field has begun at 40,000 b/d. Other finds already made by Mobil indi-

swiftly.
American independents United Meridian (UMC) and CMS Nomeco say they are poised to make new discoveries in concessions adjacent to Zafiro. "In five years' time," said Mr Miguel Abia Biteo Boriko, secretary of state for mines and energy, we could be producing half

cate output could double

million barrels a day.' Officials are reluctant to say exactly how much the government can expect to benefit. Even at existing production levels, conservative revenue estimates of about \$100m are twice last year's

gross domestic product. For Equatorial Guinea's 350,000 inhabitants, it is money which could change everything. And everything needs changing. Running water and electricity are rare luxuries outside the capital. Education and health care are in abiect decay. Malaria. typhoid and a host of other diseases are endemic. Life

It was not always so. As Corporation, will formally Fernando Po, this accident colonialism, divided

Mr Obiang blames the precipitous decline on the 11year reign of his predecessor

#### For Equatorial Guinea's 350,000 inhabitants, oil revenues estimated conservatively at \$100m a year could change everything

between Bioko island and a multi-party politics, albeit in small rectangle on the main- a form which allowed him last February to win a new land, enjoyed some of the the highest living standards and levels of literacy on the continent. Cocoa, coffee and substantial subsidies made what is the only Spanishspeaking territory south of the Sahara something of a favourite for the isolationists within General Franco's dic-

and uncle, Francisco Macias Nguema, Equatorial Guin-ea's first president. Before dent's greatest triumph," said Mr Augustin Nse, sechis overthrow and execution retary-general of Mr in 1979, the self-styled "Unique Miracle" closed the country's schools and hospitals and sponsored a terror in which a third of the population was killed or fled into Now the 53-year-old Mr

Oblang has moved toward

seven-year term with more

than 97 per cent of the vote.

The oil companies are step-

ping in, providing funds for

everything from Washington

lobbyists to refuse collection.

Even the smallest operator.

CMS Nomeco, buys school

books and runs anti-malaria

all the nation's ills. "We'll be like Kuwait," said one opposition activist. "There'll be fast cars and foreign bank accounts for a few, but for the rest of us nothing will One member of a visiting Monetary Fund this year

> accused of witchcraft after complaining of persistent human rights abuses. There is also an unresolved border question with Nigeria at almost the point where Mobil has discovered oil. "This is something we have to sort out," said a Nigerian diplomat. "But

these people have been

brainwashed by their men-

"To have persuaded the

the French and Spanish said

we had no oil is the presi-

Obiang's Democratic party,

Oil - and ambitious

schemes for mineral exploi-

tation - may, however,

prove not to be a panacea for

earlier this year.

complained of "a total absence of transparency" in government accounting. Mr John Bennett, the last US ambassador, found himself

> 40,000?" For the past decade, Equa-torial Guinea has eked out an existence on aid handouts. At today's ceremony, there will be a rash of oil

NIGERIA CAMEROON

sive...when we are produc- to cash in on Africa's least ing 2m b/d, does anyone really think we need their

opportunity. And while the government insists this interest will fuel its emerging democracy, its opponents maintain Mobil is merely feeding a dictatorship which echoes the very worst of

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## HK contender backs change to legislature

By John Ridding in Hong Kong

Hong Kong's former chief justice, a candidate to head the territory's post-colonial government, yesterday backed China's plan to replace Hong Kong's elected legislature. claiming the move was necessary and legal.

The statement by Sir Ti Liang Yang marked a breach with the Hong Kong government, which is staunchly opposed to formation of

tive, the title of the territory's former appeals court judge. political leader after Hong Kong Yesterday, Sir Ti Liang, re returns to Chinese sovereignty on July 1 next year. The Chinese government will appoint the successful candidate, after nomination by a Beijing-backed committee. A decision is due by early December.

Sir Ti Liang is one of four serious contenders for the post of chief executive. His rivals include Mr Tung Chee-hwa, the shipping tycoon, who is regarded as a a provisional legislature. It came as front-runner, Mr Peter Woo, the both the provisional legislature applications closed for chief execu- businessman, and Mr Simon Li, a and the present Legislative Council

Yesterday, Sir Ti Liang, referring to the failure of Britain and China to agree on the formation of a legislature to span the handover, said: "Something has got to come in to cope with the situation." He said a legal amendment might be added to the Basic Law, China's constitution for post-1997 Hong Kong, to provide for the new legislature.

However, Sir Ti Liang said it would be unacceptable to have

operating in the territory before the handover. This echoed the government's view that such a development would prove destabilising.

The former chief justice also stressed the need to aphold the one country/two systems formula which underpins the handover and which provides for Hong Kong's autonomy, "In our relationship with China we should strictly follow the philosophy of Hong Kong people ruling Hong Kong," he said. "The aim is for us to be very firm in implementing the Basic Law Editorial comment, Page 15

The selection of the post-colonial

governor is one of the most important decisions concerning next year's handover, since the chief executive will be responsible for managing relations with Beijing and upholding Hong Kong's promised autonomy as well as governing the territory. Mr Tung has strong backing from Beijing, but it remains unclear whether China has reached a final decision on its

preferred candidate.

## Tamil Tigers shoot holes in Sri Lanka's budget

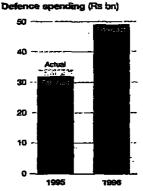
here will be several large holes in the Sri Lankan budget for 1997, to be announced next week, courtesy of the Tamil Tigers. The separatist fighters are proving to be formidable both on the battle ground and on the balance

The war is absorbing nearly a quarter of government revenues and as yet President Chandrika Kumaratunga's government shows no sign of curbing defence

The government is banking on mass privatisation but receipts have fallen woefully short. Only 2.9bn rupees (\$51m) out of a projected revenue of SLRs21bn has come from the sale of state enterprises, while expenditure on the war has exceeded estimates.

cost \$LRs38bn this year, up state sell-offs, the governfrom an actual expenditure of SLRs34.97bn last year when fighting was restricted to just eight months of the year. This year, however, fighting escalated and so did defence expenditure. The final figure for 1996 is expected to be around SLRs50bn. or about 30 per cent over

Inflation is running at 21.5 per cent. The growth of the economy this year is expected to be about 3 per cent, down from an earlier government forecast of 5 per cent and a figure of 5.5 per cent



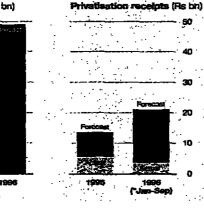
"The worst is yet to come," said Mr Arjuna Mahendran, senior economist with Crosby financial ser-

Faced with the poor The war was estimated to response from investors to ment two months ago took the unorthodox step of becoming a customer for its own privatisation pro-

> A plantation company was bought by a front organisation owned by the state-run Bank of Ceylon, and Mr G.L. Peiris, deputy finance minister, quickly defended the action as a one-off purchase to save the market.

Officials say the economy is now more than ever dependent on the privatisation process to raise money to finance the budget deficit, estimated at 10 per cent of

#### Sri Lanka: the cost of



gross domestic product. The privatisation authority, the Public Enterprise Reform Committee, last month advertised a 35 per cent stake in the state-owned Sri Lanka Telecom and bids are being received for the

national airline, Airlanka. Almost all the American, European and Asian giants in telecommunications have shown interest in joining Sri Lanka Telecom but the trade unions have vowed to resist any moves to sell the com-

Stock brokers, however, say investors are unimpressed. Many are waiting in the wings because of the contradictory statements by government ministers and a new law to re-acquire state enterprises privatised by the

Mr Peiris said companies

sold under a privatisation plan of the previous adminis tration but which stopped production and laid off staff would be taken back. The influential Chamber of Commerce and Industry described the measure as

"draconian". A spokesman for the chamber said several foreign investors were already rethinking their plans to expand. Contradictions in the government were also worrying many, he said.

For example, Mr M.H.M. Ashraff, the ports minister, is on record saying that he will not sell the Queen Elizabeth Quay (QEQ). But a consortium including P&O of the UK and its Australian subsidiary has been issued a letter of intent by the government to develop the QEQ. Meanwhile Sri Lanka's investment regulatory authority, the Board of Investment (BOI) said that it was going ahead with the QEQ project that could bring in an eventual investment of \$650m.

"As far as we are concerned the project is on," said Mr Manilal de Mel, BOI deputy director general. "It is up to the politicians to sort out their problems." For President Kumaratunga. that first and foremost. means ending the war.

#### Benefit for southern Philippines

## Peace attracts Islamic banks

By Edward Luce in Manita

The Philippine government said yesterday that five Islamic banks had requested permission to establish branches in the southern Philippines just six weeks after Manila initialled a peace deal with the country's 5m Moslems

Malaysian and other south east Asian investors unveiled 42bn pesos (\$1.5bn) of pledged investment in the Moslem areas at a business conference in Mindanao, the southern Philippines, at the

As part of the autonomy ackage signed in September, foreign sponsors of the three-year peace talks -notably Indonesia and Malaysia - pledged to invest heavily in the province on completion of the autonomy deal. The new investments, which include shipping, tourist and agribusiness projects, are expected to come on stream over the next 12 months.

"We have noticed a sharp increase in the number of business investments from Malaysia, especially Sabah, since the signing of the peace accord," said Mr Paul Dominguez, adviser to Mr Ramos on Mindanao.

But Philippine officials say that the Islamic Banks. which include the Malayan Javasinghe Bank, Bank Islam, Bank to the Sabah economy."

Bumiputra, Bank of Tabung Haj (all from Malaysia) and the Islamic Development Bank of Brunei. would require special legislation to set up in Mindanao. Last year the Philippine central bank limited new entrants to 10 foreign banks pending a

change in the regulations. Mr Nur Misuari, chairmar of the autonomous council in the southern Philippines and leader of the former rebel forces, said Moslem savers had rejected suggestions that mainstream Philippine banks set up Islamic branches in the south because they would need to recycle "sin funds" from other branches. Islamic hanks would attract many deposits, he added.

Officials from Sabah and the Philippine government also conducted informal talks about the repatriation of 300,000 Filipino Moslem refugees from the Malaysian state in the wake of the completion of the peace agreenent. The refugees, who fled Mindanao during the heaviest fighting in the 1970s and 1980s, have formed the backbone of the construction sector and other labour-intensive industries in Sabah. "We are in two minds about our Filipino refugees," said one Malaysian businessman. "They must eventually go home but they are important

## ASIA-PACIFIC NEWS DIGEST

## China 'brings home copper'

China's reported repatriation of large quantities of copper from London Metal Exchange approved warehouses may have been prompted by higher prices available on the domestic market, a Chinese official said yesterday. But Mr Wang Zhongkui of the China National Nonferrous Metals Industry Corporation said he had no explicit knowledge of up to 100,000 tonnes of copper being held in bonded warehouses in Shanghai.

e Ti

"At the moment I am unaware of any large scale purchasing by the government," Mr Wang told a metals conference in Beijing, but he added it was "possible" the authorities were taking advantage of price differentials. Shanghai copper futures ended sharply up yesterday with later-maturing contracts breaching the Yn19,500 (\$2,407) resistance level due to last Friday's heavy LME gains. Profits of state-owned industries slumped by 28.5 per cent to Yn22.6bn (\$2.7bn) in the first nine months compared with the same period last year. Companies operating in the red saw losses mount further, up 23 per cent to Ynl4bn, reflecting the effects of a continuing credit squeeze. Tony Walker and Sophie Roell, Beijing

#### Asia's infrastructure needs

The much-vaunted contribution of the private sector to Asia's infrastructure development has been marginal, at only 10 per cent of spending so far, and is likely to grow only slowly over the coming decade, Mr Lee Bong suh, vice president of the Asian Development Bank said. Ten years from now it would account for only 20 per cent of infrastructure spending, so governments will still have to find the bulk of the \$1,500bn needed to upgrade regional infrastructure, he told a UN ministerial Peter Montagnon, New Delhi

#### Singapore changes voting law

Singapore's parliament yesterday passed an electoral reform bill which observers said would make it more difficult for opposition politicians to win. The bill to amend the constitution was passed by a vote of 64-4. Mr Goh Chok Tong, the prime minister, demed that the reform was designed to increase the parliamentary representation of his People's Action party.

The amendments increase the number of candidates who may stand as teams in so-called group "representation constituencies" (GRCs) from four to six. The team with the most votes takes the seats. There are now 15 four-seat GRCs and 21 single-seat wards. Under the reforms, there could be as few as eight single-seat constituencies. Because the opposition has been able to field fewer candidates than the ruling party, the increas in the number of GRCs and the number of candidates in each GRC team may worsen the opposition's chances, analysts said. \_\_ James Kynge, Kuala Lumpi

#### **EU restricts Burma contacts**

The European Union yesterday imposed strict limits on contacts with Burmese officials and their families in response to what the 15-nation bloc sees as Burma's continuing fallure to respect human rights. EU foreign ministers agreed to the move - part of a gradual build-up of pressure on Rangoon's military government - without debate. "There is a very serious situation in Burma with a lack of respect for human rights and democracy," said Mr Dick Spring, Irish foreign minister. Reuter, Luxembourg

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No. 005192 of 19
IN THE HIGH COURT OF JUSTICE
CHANGERY DIVISION
COMPANY

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IN THE MATTER OF THE

COMPANIES ACT 1983

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Order of the High Court of Justice
(Chancery Division) dated left October,
1996 continuing the reduction of capital of
the above named Company ("the
Company") from 2200,000 to 220,000.00
had the reduction of the share premium
account of the Company by \$256,350.33

nd the Minuita approved by the Court
showing with respect to the capital of the
Company as intend the several particulars,
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# is predicted to stay at 2m

By Andrew Bolger, Employment Correspondent

The UK will create 1.5m jobs over the next 10 years - but half will be part-time and the rest will come from self-employment, says a government-funded forecast. It says the number of full-time employees is unlikely to

(Inemployment is likely to stay at about 2m even if there is a change of government at the next general election, adds Business Strategies, an independent consultancy whose research was funded by the government's Department for Education and Employment. The election must be held by May next year at the latest.

Mr Neil Blake, research director for the consultancy, said nothing in the policy of the opposition Labour party "would lead us to change our view of the unemployment outlook".

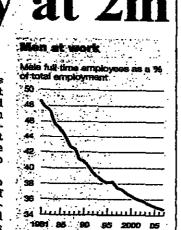
The proportion of total employment held by male full-timers is forecast to continue falling - reaching 35 ages reboth Blake said: With employers creating almost no extra per cent by 2006 compared full-time jobs. 790,000 more people will opt for selfemployment between now and 2006."

Bereiter ...

**₩**`-••

The report forecasts that there will also be 770,000 new jobs for employees by 2006 but that almost all will be part-time. Many will be in personal services, ranging from bar work to childcare. There will also be more part-time jobs for shop-

Women are expected to continue dominating part-time work, with about an 80 per cent share of those jobs. Their share of selfemployment is expected to rise slightly, from 25 per cent this year to 27 per cent by 2006. This means women will capture two-thirds of the total growth in work. Mr tion workers.



Richard Holt, director of Business Strategies, said: The extra jobs will do little to bring down the number of people registered as unemployed, which we forecast will fall by just 131,000 between now and 2006, to a figure of 1.99m. "The fastest rises in

employment overall (27 per cent) will be for many professional workers such as lawyers, accountants and even doctors - although not teachers and lecturers. The number of professional jobs will rise by over a quarter but few people registered as unemployed will benefit directly from these opportunities.

Financial and business services is the sector of the economy which is forecast to experience the fastest growth between now and 2006. The report says: "Both main parts of the sector are likely to experience rising demand over the long term. which will offset pressure on employment in banking and finance caused by new technology and a likely restructuring of the sector."

Growth is forecast among managers and sales staff, with women getting the lion's share in both cases. Employment is expected to decline among secretarial and clerical staff, and for skilled and unskilled produc-

## Jobless total Ex-envoy criticises EU foreign policy

By Bruce Clark, Diplomatic Correspondent

The European Union's Common Foreign and Security Policy needs strengthening because it still falls far short of its potential as a force in world affairs, says a paper published yesterday by a pro-European thinktank in Britain.

The paper was written by Sir David Hannay, who has served as UK ambassador to the EU and the United Nations. He says that continuing with the current foreign policymaking procedure, under which all EU members have a veto, is likely to "lead to considerable frustration" as the

Without saying which version of majority voting would be preferable, the paper suggests that one

Union enlarges.

alternative would be to follow the example of the UN Security Council and restrict Mr Hurd adds the right of veto to the most important member states.

The paper says the CFSP needs permanent financing arrangements, separate from the EU budget. To scrutinise the CFSP, it says that a USstyle committee on foreign relations might be formed by legislators from the EU's member states.

Action Centre for Europe,

which published the paper, is a lobby group headed by senior pro-European politicians, mostly Conservative. Mr Douglas Hurd, the former foreign secretary, says in a foreword that "the Americans are occasionally baffled by the incoherence of the foreign policies of Euro-

pean countries". "They would welcome a serious effort by the Euro-

as rivals, but as partners, To upgrade the EU's abil-

ity to plan ahead and respond to crises, the paper suggests broadening the small CFSP secretariat in Brussels to include planning and analysis departments and a "conflict prevention"

- first proposed by France and now supported by Britain - to present £U policies to the outside world. It adds that, initially at least, this should be a fixed-term. non-renewable appointment. The European Union's

idea of a "Mr or Miss CFSP"

Common Foreign and Security Policy: a Menu for Reform; Sir David Hannay. Action Centre for Europe, 2



Queen Anne's Gate, London Sir David Hannay: his paper warns of future frustration

## Top Labour figures at odds over Emu

Attitudes towards fate of sterling vary widely in biggest opposition party

here are two issues of ernment - is zealous in the opposition Labour party: whether sterling should join a single European currency in the first wave in 1999 and whether Mr Robin Cook and Mr Gordon Brown could co-exist in any future Labour cabinet.

The mutual rivalry - bordering on enmity ~ between the two senior party figures is legendary. This is unfortunate for Labour's leader. Mr Tony Blair, because Mr Cook is the party's shadow foreign secretary and Mr Brown shadow chancellor of the exchequer. They are therefore Mr Blair's two most important lieutenants. Mr Cook raised the stakes

in his contest with Mr Brown on Sunday, when he gave a BBC television interview devoted in large part to gle currency succeeds". refining Labour's approach to monetary union.

This was provocative in itself. Mr Brown - like Mr Kenneth Clarke, the chancellor in the Conservative gov-

great sensitivity in asserting his claim to overall responsibility for his party's position on a single cur- joining. rency.

> On the other hand, Mr seen as the perpetrator of a public dispute with Mr Brown, even though he is far more sceptical than Mr Brown on the merits of monetary union. He therefore expressed his caution while just remaining within the bounds of Labour's official policy.

Mr Cook came as close as possible to saying that a Labour government would not join Emu in the first wave without making a cast iron commitment. He did, however, say that sterling's participation was inevitable in the long term "if the sin-

Mr Brown, by contrast, is less grudging in his support for monetary union. He does not believe that sterling should be a first round mem ber at any cost - but is per-

suaded that the economic price of staying outside may be the decisive factor for Between the two is Mr

Blair. He shares Mr Brown's Cook could not afford to be fundamental pro-Europeanism, but tends towards Mr Cook in respect of seeing the risks of joining in the first So on the day after Mr

Cook's declaration of faith. which of the two came off best? On the margin, Mr Cook may have damaged his chances of becoming chancellor, a position he is widely believed to covet. The reason is that he used the "D" word - for devalua-

tion - which is frowned on in top Labour circles. Mr Cook said it would "be very risky for Britain to give up the option in future of devaluing if that was necessary", unless a Labour government was confident about the robustness of the UK econ-

The whole thrust of Gordon's approach has been to

convince the markets that vergence does not of course Labour is no longer the party of devaluation", said an MP close to Mr Brown. output or productivity". "Can you imagine the interest rate penalty the UK would have to pay if we

currency in the first round and Robin was chancellor?" In circles around Mr Brown, there was also concern at Mr Cook's elaboration of the conditions which the UK would have to meet to prove itself fit for a single currency.

stayed outside the single

He talked about the "ability to match the investment, to match the skills, to match the output, to match the output unit costs of the European economies, particularly Germany".

This appears different from Mr Brown's recent statements on "the degree of integration and convergence" necessary for sterling participation.

In a speech he gave last spring in Germany, Mr Brown said that "real conmean that we have to have exactly the same levels of

Mr Brown is concerned about the capacity of the UK economy to absorb external He is therefore interested

in Labour mobility on the one hand - an economy's ability to shed jobs in unproductive industries and create new ones - and whether the UK economy is still too dependent on US performance relative to mainland Europe.

There is another point on which the two diverge. Mr Cook believes that the legislative and administrative burden of joining in the first wave is excessive, a view which is becoming fashionable in Labour circles.

However, it is not shared by Mr Brown, who believes that the timetable can be met if the will exists to pro-

## Europe's pensions 'silence' attacked

By James Blitz,

An all-party committee of the House of Commons will this week call for unfunded pension liabilities to become a new criterion for European monetary union, arguing that the UK could be severely disadvantaged by current arrangements.

In a detailed report that aims to raise the profile of the issue in Britain and the EU, the all-party social secu-rity committee will insist that unfunded pensions liabilities should be "taken into account" when considering the eligibility of each country for the single currency. Unfunded pension commitments are those not covered by specific assets.

e committee says the liabilities should become a criterion for policing the new arrangements for monetary union after it has taken place. It will call on ministers to encourage their European partners to publish figures on unfunded schemes in their own countries.

Eurosceptic Conservative MPs have repeatedly expressed fears that the large number of unfunded pension schemes in France and Germany would severely disadvantage the UK if sterling joined a single currency. One MP said last night that there had been a "conspiracy of silence across Europe" on

the issue. The government claims total holding of assets in the UK in the form of funded schemes - like occupational and personal pensions – now amounts to some £600bn. Ministers say this is more than the total for funded liabilities in all EU states.

By contrast, the large number of unfunded schemes in Europe – in which the current generation of taxpayers meets the cost of paying pensions to the current generation of elderly - could mean that substantial liabilities fall on European taxpayers as their Robert Peston populations grow older.

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## BT starts \$78m Internet kiosk project

By Nicholas Denton in London

British Telecommunications is preparing to invest £50m (\$78m) to touch-screen kiosks to bring the

Internet to the general public. The Touchpoint terminals, aunched yesterday, will allow users to book flights and cinema tickets, and order products such as flowers and wine. They will also display maps and news Although France's Minitel sys-

telephone numbers and book train tickets for more than a decade, Touchpoint will be Europe's first build Europe's largest network of large-scale kiosk network using software designed for the Internet. ect is successful. BT expects the

tem has allowed users to look up

In the US, a group including CompuServe, the online service, is introducing about 1,000 public Internet terminals in Baltimore and Washington DC: and Holiday Inn, the hotel chain, is putting Internet klosks in business centres and lobby areas.

will be placed in busy locations sold through the system. such as shopping and leisure centres, hotels and universities over the next four years if the pilot projtotal cost to be £50m.

BT is seeking to diversify its revenues as basic call charges fall. Although the kiosks have a coin slot and users will have to pay a small amount for some services. BT's main revenues from Touchpoint are expected from advertising

Users will be put through to com- goods such as jewellery. panies providing goods and servia credit card. The service offers as standard telephone services.

including Thresher, the chain of quency with which users respond liquor stores, Interflora, which dis .. to the advertisement. tributes flowers, and Thomson In the pilot project, BT will Tour Operators. BT will earn sales commissions ranging from 5 per over the next six weeks.

In the UK, up to 10,000 kiosks and from an agent's fee on goods cent on items such as cinema tick ets to 40 per cent on high-margin

Advertisers such as Carling, the vices by telephone and then pay UK beer brand which has bought space in the sports news section of the same level of payment security the service, will initially pay by the month But BT may later charge BT has signed up companies companies according to the fre-

install about 200 klosks in London

## Computers 'making little impact in homes'

British people believe Survey Says science and technological technological easier, but they are not convinced that computers offer real benefits in their domestic lives.

These are among findings of a survey that challenges conventional thinking about information technology and raises questions about its impact on people at home. Early results from the

three-year study - known as Future.com - suggest that the public is unimpressed by the claims made for new technology and that the "information revolution" is a myth. New technology was making an impact in the workplace, but not in homes.

The study was jointly administered by Ogilvy & Mather, the advertising company, and the Institute of Communications Studies at liking new technology. The Leeds University in north-east England. It was based on responses from not use a PC regularly. more than 5,000 homes.

Instead of "an information evolution", the study suggests a process of steady change in which new technologies are accepted into the home only when the benefits are clear and the price is right. "We are experiencing evolution, not revolution," the report suggests.

Almost 80 per cent of respondents believe that if they do not keep up with technology, they risk being "left behind".

Marks and Spencer is to

re-open in the centre of Manchester this week for the

first time since an IRA bomb

devastated its store in the

city in June. The retailer is

to trade on two sites in the

city centre over the next

three years while it demol-

ishes and rebuilds a larger

store in place of the bomb-

of attention among Manchester shoppers and traders

since the bomb, and is an

important supporter of the

ambitious project to redesign

M&S has conducted a

high-profile campaign in

Manchester to maintain

links with its customers

since the bomb. The retailer

recently mailed about 400,000

charge-card holders in the

region, and distributed 75,000

free magazines to shoppers

Manchester's city centre.

M&S has become the focus

damaged building.

**By Richard Wolffe** 

in Manchester

technological movement is evolution, not a revolution

More than three out of every five people are "not thinking about getting a computer", and although almost 30 per cent of people have access to a computer at home, only 18 per cent regularly use it to work on.

The most common reasons were: not having a need for one (62 per cent), too expensive (19 per cent) and not understanding them (15 per cent). Six per cent said they preferred to do other things with their time at home and 3 per cent admitted to dissurvey revealed that 76 per cent of the workforce does

The authors say "this contradicts the commonly accepted view that the information age will create an underclass excluded from the new technologies; the findings initial of Future.com suggest this may be a premature, alarmist

Child education remains the main motivation for getting a PC (51 per cent), followed by Internet access (9 per cent) and electronic mail (3 per cent). Almost half

Store rises from the ashes

Lift-off: removal of a shopping centre bridge was one of the first elements in Manchester's revival of its bombed centre

of Manchester Chamber of are at the heart of a design

those thinking about buying a PC were aged between 25 and 34. Adult and middleaged people emerge as the most frequent users of the Internet and on-line services at home.

People are increasingly using computer technology in public places such as shopping centres (25 per cent), airports (16 per cent). museums and art galleries (12 per cent), at railway and bus stations (12 per cent), public libraries (11 per cent), shops (10 per cent) and hospitals (3 per cent).

Almost three-quarters of those surveyed carry some form of financial card. The average number of cards owned is 2.1. Nearly 60 per cent have at least one store loyalty card, but the study suggest people have little understanding of the "real" motives behind stores issuing them - the creation of customer databases.

The report reveals that almost everyone has a television and four out of five respondents have video recorders. The average number of televisions per household is two, 18 per cent of those surveyed have a mobile phone and 2 per cent a car phone.

The study was sponsored by the Independent Television Commission, Ford. Guinness, Lever, Flextech, Telewest Communications

Paul Taylor

## Islands' status attacked

The Channel Islands between Britain and France and the Isle of Man between England and Ireland should lose their "elitist" tax haven status and be brought fully into the European Union, Mr Robert Evans, a member of the European Parliament, said yesterday. Mr Evans is the opposition Labour party's MEP for London

He pointed out that the Canary Islands are part of the EU and asked the European Commission whether the status of the Channel Isles and the Isle of Man was just a loophole, "or is there a real purpose for their separate existence?"
The Channel Islands and

Isle of Man were within UK territory, relied on the rest of Europe for many services and facilities, and had the British monarch as head of state, Mr Evans said. They should therefore be treated like the rest of the EU. "I think it does undermine the status of the European Union to have these islands operating in effect as playgrounds for the super rich within Europe's borders and able to cock a snook at the rest of the Community.

· Guernsey, the second largesat of the Channel islands, may follow Jersey's lead and introduce limited liability partnerships, which would offer some legal protection for the partners of accountancy firms registering in

The legislation, proposed by the Guernsey Society of Chartered and Certified Accountants, is aimed at island-based partnerships. In contrast, Jersey's law the first of its kind in Europe - aims to attract firms from the UK.

The Guernsey law would be similar to Jersey's in that it would remove joint liability. That means that, if an action is brought against a limited liability pariner, the personal assets of those partners not directly involved in the dispute would be protected.

"What we are proposing will be attractive to many local partnerships," said Mr Steve Harlow, managing pariner of Ernst & Young's Guernsey partnership.

UK NEWS DIGEST

## tax haven Two held over airport attack

Two men were arrested in London yesterday in connection with IRA mortar bomb attacks on London's

main airport, Heathrow, two years ago. A dozen mortar bombs were fired at Heathrow in three separate attacks within days of each other in March 1994. None exploded, but one landed on the roof of Terminal Four, which was crowded with passengers, while others narrowly missed parked aircraft. The attacks, plus other

warnings of more bombs, caused panic among passengers. Meanwhile five suspects are due to appear in the Special Criminal Court in the Republic of Ireland after a raid on a remote farmhouse in County Donegal, which Irish police believe may have been an IRA training camp. The farmhouse is near the border with the Republic of Ireland. The police found a primed mortar bomb, high-powered rifles, ammunition and explosives. Also found were manuals, sleeping bags and details of target areas, indicating that police had uncovered a significant IRA training camp

as well as an arms store. The mortar was similar to devices used in a number of IRA strikes on military targets in Northern freland before the terrorist group's now abandoned 17-mann-long cease-

LAW AND ORDER

#### New knife ban moves closer

The government yesterday moved closer to banning new categories of knives, as the opposition Labour party accused ministers of failing to keep pace with public

resolve to tackle violent crime.

Mr Michael Howard, the home secretary, said during an acrimonious debate in the House of Commons on law and order that he was prepared to work with the opposition on ways of outlawing so-called combat knives if a suitable definition could be found. Labour described Mr Howard's remarks as a significant concession, following the government's policy reversal last week when Mr John Major, the prime minister, agreed to a Labour proposal to cooperate on passing bills on sexual offenders and stalkers.

Mr. Jack Straw, Labour's home affairs spokesman, last night wrote to Mr Howard offering such a definition, which would be based not on the type of knife but on its prospective use. Under Labour's proposals, the sale of a knife would be forbidden if it was advertised "in a way which appears to cite or condone the possession of such an article for violent purposes". Editorial comment, Page 15

THE ECONOMIST

#### New chief executive named

Ms Helen Alexander is to become the new chief executive of The Economist Group from January in succession to Ms Marjorie Scardino who has been appointed chief exerutive of Pearson, the media group which owns the Financial Times and 50 per cent of The Economist Group. Ms Alexander is currently managing director of The Economist intelligence Unit, the group's business information

FARMLAND SURVEY

## Prices still 30% higher on year

Farmland prices edged down from record levels in the third quarter of the year, but were still 30 per cent higher than a year ago, the Royal Institution of Chartered Surveyors said in a survey published today. Strongest demand came from large farmers and agribusine which are driving a vigorous market for arable land, the institution said. Average prices for farmland were 27,324 (\$11,425) per hectare.

## London encircled by motorway congestion

The retailing community

in Manchester has been keen

for M&S to re-open as soon

as possible to boost the num-

ber of shoppers in the city

Julian Hulse, chief executive

Commerce, said: "Marks and

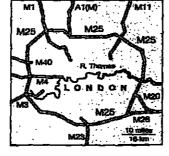
Critics of the M25 orbital motorway round London say that the frequent delays on the road are a sign of the UK's failure to devise a balanced transport policy which would shift more passengers and freight to rail.

The 185km motorway is claimed to be the longest bypass in the world and it continues to be surrounded by controversy 10 years after its completion.

of the nation's motorway traffic, but only 6 per cent of the motorway network by length. Supporters point to the large volumes of traffic using the motorway each day as proof that it is doing

Two-thirds of road hauliers made savings on journey times, according to a 1990 survey by Westminster University's transport studies group. It looked at more than 200 groups operating nearly 7,000 vehicles, and found other benefits which helped hauliers increase their business or reduce

costs. Some 39 per cent said they were able to make longer trips and win more business while 45 per cent increased their mileage without one part of an ambitious



It accounts for 14 per cent increasing the number of vehicles operated. The M25 has had an

impact on the surrounding road network and 45 per cent of hauliers interviewed in the Westminster survey reported less congestion on other nearby routes. The M25 has removed 25m truck journeys from the streets of central London since its completion, according to the Freight Transport Association.

But even in 1990, at the time of the Westminster survey, congestion on the M25 was becoming a problem. Some 77 per cent of hauliers complained of congestion on some part of the motorway. That is due in part to the fact that the M25 was origi-

nally intended to form just

The Greater London Devel opment Plan of 1969 called

Spencer is the number one

shopping draw and the open-ing of the new stores will

mark the re-opening of the

city as a Christmas shopping

the new Manchester store

The M&S plans to build

destination.'

for three ring roads to be built, including two closer to central London than the present M25. The absence of these inner motorway rings has contributed to congestion on the

M25. Sections designed to carry 90,000 vehicles a day now carry 120,000; one section meant for 120,000 a day carries 200,000. Proposals to build a series

of parallel link roads to take some busy sections of the M25 up to 14 lanes were dropped by the government last year after protests from residents, councils and backbench MPs. Current plans envisage only one busy section widened to 12 lanes, but without taking up extra

But in future, congestion control will depend increasingly on more sophisticated traffic management - installing variable message signs, imposing uniform lane speeds and limiting access at certain points - rather than on any large-scale expansion of the network.

Charles Batchelor

## Crotone Sviluppo Società Consortile per Azioni



GLOBAL SUBSIDY FOR

THE CRISIS AREA OF CROTONE - ITALY Aid for the realisation of entrepreneurial initiatives and inter-company infrastructures

Extension of deadline for the presentation of applications for grants

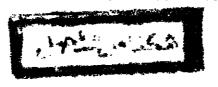
In view of the serious effects of the flooding of 14th October 1996 on the infrastructure and entire production system, the Società Consortile Crotone Sviluppo, Intermediary Authority for the management of a Global Subsidy for the reindustrialisation of the crisis area of Crotone, has decided to extend the deadline for the presentation of applications for

The definitive deadline is 1 p.m. on 10th December 1996.

For further information about the grants for companies, please consult the notice published in H Sole 24 ore on 10.796 and 18.796, in the Gazzetta del Sud on 9.796, in the Crotonese on 9.796 and in the Financial Times on

Further information about the procedure for presenting the investment projects, together with the relative forms to be used, can be requested directly from the Intermediary Body:

Crotone Sviluppo Scpa, S.S. 106 Ionica - 88074 Crotone - Italy. Tel. +39/962/938000 - Fax +39/962/930033





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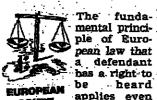
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# ro held org

## Right to be heard upheld



a defendant has a right to count applies even where a deci-

sion which adversely affects his interests is not specifically\_addressed to him, the European Court of Justice ruled last week.

The case arose from a European Commission decision authorising assistance from the European Social Fund for a vocational training project in Portugal.
The beneficiaries were all

Portuguese companies involved in the project. These companies received 50 per cent of the EU funds in advance and submitted a claim for the balance. However, this was not paid when irregularities at two of the companies were detected.

The Commission wrote to the Portuguese Ministry of Employment and Social Security saying funds had been used for ineligible expenditure and that a large part of the initial advance had to be repaid. The Portuguese authorities were given 30 days to submit their observations.

The Commission was told no submissions had been made and that the national authorities accepted the decision. A repayment demand was made and the companies involved were then informed. They brought proceedings before the European Court of First Instance challenging the Commission's decision.

The CFI annulled the Commission's decision on the ground that it infringed the companies' right to be heard. The Commission appealed to the European Court of Justice.

In its appeal, the Commission claimed the CFI committed errors of law by holding that the companies' rights had been infringed. In particular, it claimed the CFI was wrong to hold the Commission could not adopt the decision in question before giving the companies the opportunity of giving their

The funda- views. It relied on the three arguments. First, it was impossible to give the companies the right to be heard because of the way in which the administration and management of the European Social Fund was structured. Secondly, the decision did not impose any sanction on the companies. Thirdly, the way in which the fund was administered made it difficult in practice for the Commission to consult the companies directly.

The court dismissed the argument that there was no need for the observance of the right to be heard as the companies did not play a central and significant role in the relevant procedure and the only financial relationships created were between the Commission and the Portuguese authorities.It found that the companies were directly implicated in the investigation which led to the decision.

Furthermore, although the Commission's decision was addressed to the Portuguese authorities, it named and expressly referred to the companies as direct beneficiaries of the assistance. The fact that the national authorities were consulted before the Commission adopted its decision did not justify the failure to apply the right to be heard to the beneficiary companies.

With regard to the second submission, the court found that the Commission's decision deprived the companies of the whole of the assistance which had been granted to them. The companies therefore suffered directly the economic consequences of the decision.

As to the third argument, the court held that the Commission could not rely on an argument based on practical grounds to justify infringement of a fundamental principle of European law, The appeal was therefore dis-

C-32/95: Commission v Lisrestal and others. ECJ 6CH. October 24 1996.

BRICK COURT CHAMBERS, BRUSSELS | Diane d'Oleon, 43, most

#### Scaroni rises at **Pilkington**

Paolo Scaroni is to become boss of the world's biggest automotive glass operation, in the new role of president, automotive products worldwide at Pilkington, the UK glass-maker. As such, he will oversee a business that equips one in every four cars produced on the planet. The appointment, which takes effect from November 15, looks like the first step in a strategy to replace Peter Grunwell, who retires next July at the age of 60 from his role as Pilkington's direc-

tor for the Americas. Grunwell was also responsible for Pilkington's automotive business which, with annual sales of Pounds 1.18bn, accounts for 40 per cent of the group's turnover.

An Italian, Scaroni began his career with McKinsey Co., the consultants, and then joined St Gobain, Pilkington's biggest European rival (and joint venture partner in Latin America). In 1984 he became head of St Gobain's glassmaking operations worldwide.

Later, he joined Techint, an Itallan engineering company that partnered Pilkington in the purchase of the former Italian state glassmaker Societa Italiana Vetro. Scaroni became managing director of

business, 12 months ahead of schedule.

Scaroni, 49, is being lured from Techint to help the automotive glass business respond more effectively to the demands of car-makers determined to globalise and streamline their components purchasing. The signs are that he is also being groomed to be the first foreign executive on the board of Pilkington, one of the few UK companies that is truly global in its operations. Ross Tieman, London

#### Australian farewell



with Goodman Fielder, has resigned as finance director of the troubled food manufacturer after only seven months. According to a company statement, Cullen will leave in mid-November "to pursue more broadly-based management responsibilities elsewhere".

Commenting on the announcement, Hearn paid tribute to Cul-SIV, enabling Pilkington to take len's "significant contribution" to

restructuring the £300m-a-year is not clear whether Cullen will be tries. Mark Ashurst, Johannesburg staying in Australia, or returning to the UK. Nikki Tait. Sudney

INTERNATIONAL PEOPLE

#### JSE picks Loubser

The Johannesburg Stock Exchange has surprised brokers by appointing a trader to succeed Roy Anderson as president of the bourse. Russell Loubser, a career merchant banker, will take over the reins on February 1.

The appointment is a break from the JSE's tradition of appointing figureheads from big business to the top job. Loubser, 46, is less well known in business circles than his predecessors, and has yet to earn a reputation as a public speaker. The new approach mirrors the

changing culture of the 108-yearold bourse, which finally abandonned open outcry trading in June. Loubser, a career merchant banker, played a leading role in launching the South African futures industry in 1987. He chaired the Futures Exchange for two years, and brings to the JSE the skills acquired during seven years in charge of the trading room at Rand Merchant Bank.

Loubser says the next step in Johannesburg's evolution will be the introduction next year of an electronic central depository for

#### ... and IDC Ngqula



Khaya Ngqula (left) has been named the first black chief executive of the Industrial Development Corporation of South Africa the stateowned venture capital group which pioneered the

country's industrial expansion during the apartheid era. Khaya Ngqula. 40. currently managing director of Norwich Life in Johannesburg, will take up one of the most powerful corporate positions in the public sector in February. From its origins as a holding company for equity in blue-chip

industries privatised in the 1980s, the IDC financed a wide range of strategic industrial investments during the sanctions era. More recently, it has acted as a catalyst for spreading risk and attracting private sector capital to industrial investments. Ngqula's task will be to shift the

emphasis towards more labour-intensive, export-oriented industries. A former personal assistant to the South African managing director of scrip. He also intends to foster International Business Machines,

full control last year by completing the group during his short stay. It closer ties with other African counager for South African Breweries before joining Norwich Life as business development manager in 1991. Mark Ashurst, Johannesburg

#### Calver moves on

Brian Calver is stepping down as chief executive of Sierra Rutile, to take over the reins as managing director of Navan Resources, the Dublin based mining company.

Calver says Sierra Rutile was "a damned good project. It is the best ore body I have ever worked on." However, in January last year rebels overran the rutile mine in Sierra Leone owned by Sierra Rutile, where Calver has been managing director for three years. He was not there at the time - his base was in the UK, where he waited with increasing frustration until March this year when it was possible for Sierra Rutile to move back into the mine.

He takes over from Paul Mihalop, Navan Resources' founder, next month, though Mihalon remains on the board. Calver, 53, is enthusiastic about Navan's prospects, particularly in Bulgaria where it has reopened the Chelopech gold-copper mine, and in Spain where the company is working on the Aguas Tenidas copperlead-zinc project and another big scheme. Kenneth Gooding, London

vice-president in charge of

■ Patrick Pitcher, 46,

AMRO Bank.

global relationships at ABN

#### ON THE MOVE

■ Herbert Lanese, president of the MCDONNELL DOUGLAS aerospace unit, has left the company after what Harry Stonecinher, the

group's president and chief executive, described as sharp working differences involving management and leadership styles". Stonecipher will take charge of aerospace military

components until a successor is named. In a separate move, James Sinnett, 56, previously with the advanced systems & technology-Phantom Works, takes the new position of corporate vice-president technology. He is replaced at

Phantom Works by David Swain, 54, divisional general manager. ■ Katheryn Fong, 50. becomes vice-president customer services, and Leslie Everett. 45. vice-president and corporate secretary of PACIFIC GAS & **ELECTRIC.** Fong succeeds

health reasons.

Lendrith Jackson, 53, who is

taking extended leave for

recently communications adviser in the French ministry of finance and foreign trade, joins DANONE, the French foods group, as director of corporate communications. Pierre Benaich reports to her as director, financial communications. Robert Parmenter, a 31-year EATON CORPORATION veteran, succeeds John Carmont, who is retiring, as Eaton's vice-president and treasurer on January 1. ■ Utz Claassen, financial director of Volkswagen's Spanish subsidiary SEAT, is moving to Germany as

■ Marcial Portela Alvarez and Jose Montes Fernandez have left the board of TELEFONICA DE ESPANA. They are replaced at the Spanish telecoms operator by Cristobal Ricardo Montoro Romero and Miguel Zorita Lees. Ake Fredriksson, 48, rises

chairman of SARTORIUS.

to president and chief executive of PERSTORP, the Swedish chemicals company, from January 25. He succeeds Gosta Wiking, who becomes chairman in

#### succession to Karl-Erik

Sahlberg.

Michael Emery is to retire as senior vice-president of operations at DUPONT, the US chemicals group, on December 31. Emery, a 35-year DuPont veteran, was responsible also for Mexico and South America. He is not being directly replaced. ■ David Martin, recently retired president and chief executive of Occidental Oil and Gas, has retired from the board of CANADIAN OCCIDENTAL

PETROLEUM. Yin Chunde is appointed. chairman of JINGWEI TEXTILE MACHINERY of Hong Kong, replacing Mei Zaisen, who has resigned. ■ Michel Rose, 53, becomes managing director at LAFARGE, the French construction materials group, taking responsibility for newly industrialised countries. He has been chief executive of Lafarge Corp in

Piecuch, 50. ■ HASBRO, the toys and games giant, has moved Dave Wilson, president of Hasbro games group, to

the US since 1992, where he has been replaced by John

#### president, Americas of the new sales and regional marketing operation group.

Ginger Kent, currently general manager, boys and girls toys, Hasbro toy group, becomes president of the brands and product development operating

group. ■ Mike Maloney moves to head of operations in Europe, Middle East and Africa, at GATEWAY 2000, the US-based personal computers direct sales group. He succeeds Mike Dunne, who takes on a headquarters role. Jeffrev Hurlbert, 48, has

been promoted to executive director of sales for GENERAL MOTORS EUROPE, from January 1, co-ordinating Opel sales in 15 European countries. He succeeds Raz Razaq, who becomes vice-president of sales, marketing and aftersales for GM Europe. ■ Woody Knight has been

appointed vice-chairman of SCANDINAVIAN BROADCASTING SYSTEM. This new position covers financial, legal, and administrative matters. He ioins from Prudential

Securities in New York. Achmad Kalla has been appointed to the new post of chief executive of

Indonesia's BUKAKA TEKNIK UTAMA. He will be directly responsible to the president director. Fadel Muhammad Scott Nelson, former

president of Amerada Hess Canada, joins the board of SPIRIT CORPORATION. ■ Walter Pollock has joined PORTLAND GENERAL, the Oregon electricity company, as senior vice-president of municipal services. Portland General recently announced plans to merge with Enron Corporation of Houston. Sanat Dutta has been promoted to president of

INGRAM MICRO, the US

computer and distribution

сотрапу. Carel van der Spek, 48. joins the management board of F. VAN LANSCHOT BANKIERS, the Dutch bank, from November 18. He will have special responsibility for investment banking and replaces Cas de Quay who has retired. Van der Spek was formerly general manager UK of AMRO

president and chief executive of Saatchi & Saatchi's office in Canada, has been promoted to chief executive of SAATCHI & SAATCHI ASIA, from January 1. He replaces Peter

Watkins, who is leaving the dvertising business. New Zealand Brewer LION NATHAN has appointed Gordon Cairos. currently managing director of Pepsi Cola Bottlers Australia, as managing director of its Australian brewing operations, after the appointment of Tony van Kralingen from South Africa fell through. Leon L'Huillier,

#### International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

the previous managing

director, resigned in June.



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#### London, 4 - 6 December 1996

Expert speakers from Europe and North America will address this year's Forum — the seventh in a well-received series arranged by FT Conferences and Venture Economics

#### ISSUES TO BE ADDRESSED INCLUDE:

- ★ Overview of Venture Capital and Buyout Markets in Europe
- Tr Update on Central and Eastern Europe \* Fund Raising for European Investments
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  - ★ Managing the European Portfolio
  - \* Deal Flow Channels
  - \* Exit and IPO Markets in Europe

#### \* Hot investment Sectors: Biotech & Hi-Tech SPEAKERS WILL INCLUDE:

Procuritas Partners KB Mr Tom Attwood Intermediate Capital Group PLC

Mr James Azzarito Jr Tyn Group Mr Adrian Beecroft

Mr Mikael C Ahlström

Apax Partners & Co Ltd Mr Jonathan Blake SI Berwin & Co

Mr Douglas R Brown Advent International Corporation

Price Waterhouse LLP Mr Jeremy J Coller Coller ClCap Limited

Mr J Frank Brown

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Company Organisation

Mr Guy Fraser-Sampson Mowbray Capital International

Mr Michael J Hahn Churchill Capital, Inc.

Mr Waldemar Jantz TVM Techno Venture Management GmbH Mr Andrew T Kellett

BancBoston Capital

Mrs Carol A Kennedy Pantheon Ventures Limited

Mr Jonny Maxwell Standard Life Assurance Company Mr Denis Mortier

Financière Saint Dominique Mr Nicholas Mov Granville European Private Equity Ms Teresa Wallis

Managers Mr Ned Olivier Oxford Bioscience Partners

Mr David F Osborne Electra Fleming Limited

Mr Raynier van Outryve d'Ydewalle **EVCA** 

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in an effective and efficient manner. The financial market has become the major principle of this complex process. The baowen as pillar of the financial market has been traditionally created by commercial banks. The Slovak Savings Bank (SLSP) is a supporter and successor of the historical traditions of the savings banking syste nute to which has been deeply rooted in Slovakia. It has a dominant position within this banking discipline in Slovakia. In the process of its development which dates back to the late 16th century, the savings banking system in Slovakia has undergone-2 to

many changes. It was not until 1969 that we had been able to trace the establishment of the Slovak Savings Bank. After year

having been provided with a commercial bank licence in 1990, the Savings Bank has entered the process of transformation into a universal bank. In 1994, the state-run financial institution was turned into a joint-stock company. The share of the SLSP total balance in comparison with the total banking balance on the relevant market in the Slovak Republic was 31% in mid-1995. The total balance is on a slight increase during the estimated period. In 1992, it amounted to 128 billion Czechoslovak Crowns (CZK). In 1993, it gradually grew by 6 billion Slovak Crowns (SKK). i.e. by 4,7%; in 1994, by SKK 10 billion, i.e. by 7,4%. In 1995, particularly in the 2nd half, SLSP had a progressive growth of its total

balance. The end of 1995 saw its total balance amounting to SKK 162,5 billion which represents a growth of 13% as

compared to the preceding year. The SLSP's size and position on the capital market represents its 27,2% share in the total turn-over of trade operations concluded in the Bratislava Stock Exchange as well as its own stocks and securities which it has been administering for its clients. The SLSP provides its services and carries out banking operations particularly on the domestic market. However, there is a gradual growth of its share in international banking operations. It has built up an effective network of relations with 600 corresponding banks in more than 60 countries. Its connection to SWIFT in 1993 enabled the fast implementation of smooth and documentary payments through 37 Nostro accounts which were opened in 19 countries in 34 banks. It keeps 73

Loro accounts for 22 foreign banks. In 1993, the SLSP became member of the VISA association and was actively involved in the world system of accepting VISA cards. At present, it provides 6 types of payment cards depending on the accounts's character (giro card, VISA Classic, VISA Domestic, VISA Business, EURO 26 and the Students' Card).

The SLSP has been operating on the financial and capital markets since 1991. Its highly professional services include those in the area of investment banking system, e.g. securities trading, exchange of primary emissions, be it shares or debentures; export/import financing, hard currency dealing, B/E trading as well as the provision of business consulting and information

Consulting as well as complete services offered by the SLSP make it a savings bank which is able to provide top financial services to demanding institutions.

The Slovak Savings Bank, Joint-Stock Company

(former Slovak State Savings Bank) Suche Myto 4 816 07 Bratislava

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The Slovak Savings Bank, Joint-Stock Co. and its Position in Slovakia's Economyle Lloyd as The Slovak Republic ranks among the successfully transforming countries striving to join the European and world strucCarlisle as

Chairman of the Board and President of Slovenska sporitelna

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## Chemists turn over a new leaf

ny new weapon in the war against cancer is L welcome. However, once a potential anti-cancer drug is discovered it then has to be made in sufficient quantities.

This is not always so easy, as shown by the problems developing commercially useful quantities of paclitaxel, a potent anti-cancer drug.

First isolated in 1967. paciitaxel received little attention until the late 1970s when it was discovered that it had a novel mode of action against tumour cells. It "froze" the formation of microtubules. "spindles" which guide the chromosomes during cell

Work in the 1980s confirmed the drug's promise and Bristol Myers Squibb, whose trade name for the drug is Taxol. acquired the rights to it from the US National Cancer Institute. It was in 1989 that the production difficulties emerged. The main natural source for paclitaxel is the bark of the Pacific yew tree, but it took 13.500kg of bark to produce just 1kg of the drug. It was estimated that to produce the 200kg to 300kg required each year would wipe out the Pacific yew - listed among the world's endangered conifer species – within five years.

David Newman, a chemist at the institute's natural products branch, says: "It caused a major problem but not a panic. The treatment for one woman (suffering from) ovarian cancer required six 6in-diameter yew

Amid protests from environmentalists, a worldwide search began for an alternative way to produce paclitaxel in commercial quantities. Synthesising the drug chemically was commercially unfeasible, as it contains 112 atoms and the process would require some 30 separate steps. So an effort was made to look at close relatives of the tree for paclitaxel and its precursors.

Eventually, a compound called baccatin-3 was isolated from the needles of the common ornamental yew. This was then used in a semi-synthetic route which had been developed by Robert Holton of Florida State University.

The great advantage of this method was that the needles could be harvested each year without killing any trees. In 1993 Bristol Myers Squibb announced that it would no longer need to harvest Pacific vews, and the new process remains the main method by

which the drug is produced. But now a team of researchers at Mitsui Petrochemical Industries in Japan has come up with a different approach. Yukihito Ynkimune and colleagues recently announced they had produced significant quantities of paclitaxel by biosynthesis or plant cell culture. The amounts produced, tens of grams in two weeks at their laboratory. may not sound much but it could be a landmark in this problematic compound.

Biosynthesis by plant cell culture - similar to the fermentation method used to produce most common antibiotics - has long been considered as an attractive method of producing paclitaxel. However, plant cell culture has so far found little commercial application and in contrast to bacterial cultures the plant cells grow much more slowly and are much less robust.

The team at Mitsui managed to increase yields of paclitaxel by about six times over previous plant cell culture efforts by adding methyl jasmonate, which stimulates production of the drug.

The process is still a long way from achieving commercial scale. Plant cell culture works in a liquid fermentation 'broth" and the Mitsui team managed to operate the technique in a volume of 200 litres. Any commercial process would require production at volumes in the range of 100,000

The story of paclitaxel has not ended yet. The drug is used in breast and ovarian cancers, and there are promising results in trials for lung cancer and melanoma. Chemists will be looking to "improve" the paclitaxel molecule and biotechnology could play a role in this. But at least scarcity is not the problem.

William Macdonald

en Rosen is finding out - at the cost of some personal embarrassment - that when it comes to development glitches, cars can be more than a match for comput-

Undeterred by two minor fiascos with a prototype vehicle last month and in August, the chairman and founder of Compaq, the computer company which outsmarted IBM to become the world's biggest personal computer provider, is preparing to dip into his own pockets for up to another \$15m (£9.6m). He hopes that will bring to fruition his brother Harold's, and now his own, dream of a revolutionary new power unit for cars.

The quest has already cost Rosen more than \$13m personally. He insists he will persevere until the new drive system, combining a small gas turbine engine with an energy-storing flywheel - and claimed to provide high performance with almost negligible exhaust emissions - has become reality.

The fiascos occurred when Rosen and his colleagues in Rosen Motors, a company Ben Rosen founded three years ago to progress the project, twice invited the media to watch a Saturn saloon fitted with the system put through its paces.

The car never ran. On the first occasion the turbine would not fire up - the result of a fuelpump failure. On the next, more seriously, an electronics bug overloaded the flywheel bearings. causing them to fail. "A lot of other niggling little things went wrong," acknowledges Rosen. "Basically, we tried to run it prematurely." The consoling aspect, he insists, is that nothing went wrong "that was of concern to us in relation to the fundamental concept".

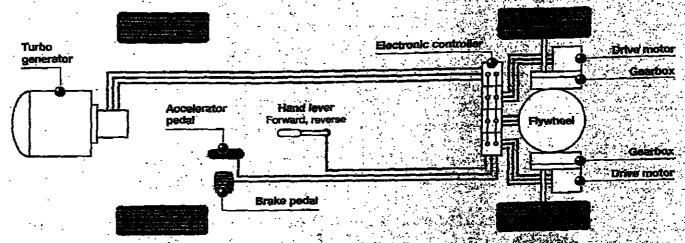
Rosen and brother Harold. Rosen Motors' president and chief executive, say they have already demonstrated the power unit repeatedly and successfully on a static dynamometer and that once again "we are real close to running the first road tests with the Saturn." Already, the group has developed a more advanced version, which is expected to start trials about the middle of next year in a Mercedes-Benz E-Class.

Ben Rosen, 63, and his 70-yearold brother, who led development of the first geostationary communications satellite, are anything but conservative in their claims for the power unit's capabilities. They insist that cars powered by it will:

• Have fuel economy of up to 80 miles per gallon. • Be capable of accelerating John Griffiths on bold but persuasive claims for one 21st century can

# Mean, lean and green

The Rosen drivetrain: how it works



The drive system comprises a small gas turbine mounted under the bonnet in place of the conventional engine. The turbine develops 60 horsepower. It does not drive the wheels directly but generates electricity to power electric traction motors at each rear wheel.

On its own, the turbine would provide enough power to sustain a cruising speed of between 60mph and 70mph on the level, but mediocre acceleration from standstill and relatively poor stop-start ability. However, some of the turbine's electrical energy is also used to rotate a flywheel contained in a reinforced housing between the drive motors.

A flywheel acts both as a store for energy and - when coupled with a generator - an energy dispenser. But this is no ordinary flywheel. With a titanium hub and carbon fibre composite body, it has a diameter of 15in.

eighs about 20th and spins at up to 55,000rpm kva vacuum. It is intender! ! once set spirming on its vertical sale in the fully developed mehicle, it will retain enough energy to get the controlling againment it has been partied for an to six weeks.

Additional electrical arrange is fed to the flywheel through regeneration besiding. In

Nywheel through Tegenerallye besings. Stabilished and widely lised plinciple of capturing in electrical form the energy: normally lost through braiding. At its maximum, the flywheel is storing the

electrical energy equivalent of 450 It is when the driver puts the accelera down hard that the "nerve centre" of the Rosen drivetraia comes into olav.

When maximum power is needed, it. switches the thewheel to generator model. enting any electrical energy surge enting and provide the leading of the electron of the elect

eight cheen

In the provide perpensi motion:

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and sup performance, But, insists Plesen.

"there is more their egough energy in there to

satisfy any known diplog profile".

Nor is the system fail or negarity from

electronic copyright captient energy from

both in the past thy three to the rear wheels

in variable amounts depending on accelerator. position, in similar manner to a conventional

from standstill to 60 mph in try executives scuttling for about seven seconds, or faster cover. than most sports cars.

with only a handful of moving parts and almost total freedom from maintenance.

• Generate no more air pollution than battery-powered cars by Computerworld magazine four recharged by fossil fuel power stations ~ the Rosens' main motivation for pursuing the project. Put simply, we have the key

to the 21st century automobile."

maintains Rosen. "This mean

lean and green powertrain is the first major shift in automobile technology since the invention of the internal combustion engine." Statements like that have typically been made by impecunious inventors seeking industry finance throughout the centurylong history of the motor industry. Usually, they have sent

The sheer stature and technical • Possess mechanical simplicity, and commercial track record of the Rosens puts Rosen Motors in a different category. Ben Rosen was listed as one of the few people to have "changed the world" years ago; Harold is popularly known as the "father" of the geostationary satellite, which has made possible instant global communications.

> ven so, "the automakers ✓ are understandably being very cautious", says Rosen. "It is very much a case of 'come and see us when you've done it'. There are a lot of sceptics. It's a bit like pushing spaghetti to make things happen.

Much of the scepticism centres on the flywheel part of the systhe spectre of a 201b flywheel breaking away from its mountings while spinning at 55,000 rpm. An effective containment system, Rosen acknowledges, is perhaps the biggest challenge, which now employs 60 people within Rosen Motors itself and a

similar number in its related tur-

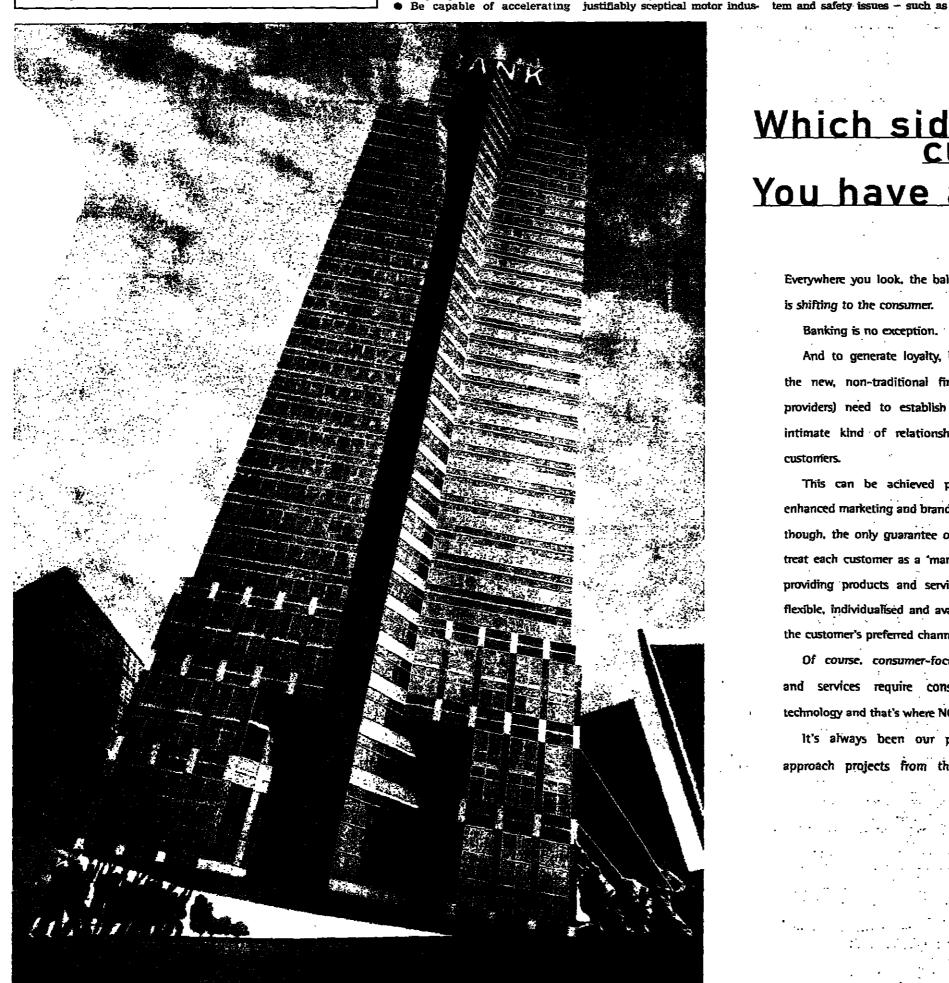
bine company. The Rosens' commitment is such that they have another ambitious plan to get the spaghetti moving: to produce in 1998 a limited run of 1,000 luxury cars possibly Mercedes' SL model -

fitted with the system. They would have to be sold at what Ben Rosen describes as an "elevated" price. However, he says, the high costs of this project could be offset by revenue from selling stationary electricity-generating systems based on

the turbine technology This has been made possible by fund programmes on their own."

the purchase of the Tarzana, a California-based company whici has developed the turbine genera tors through Ben Rosen's own venture-capital company, Sevir Rosen, in partnership with sev eral other investors. Rosen is prepared to fund the project through to the end of 1997, after which further outside investors will he sought if necessary. What Roser will not do is apply for any of the extensive US state or federa grants that have been made available to the motor and related industries to come upwith battery-powered vehicles or other solutions to California's

chronic air quality problems. "My main reason is philosophi cal," stresses Rosen. "It is ai, inappropriate use of taxpayers funds to provide corporate wei fare for companies which have billions and should be able to



## Which side are your customers on? You have a choice.

Everywhere you look, the balance of power is shifting to the consumer.

Banking is no exception.

And to generate loyalty, banks (and all the new, non-traditional financial service providers) need to establish a new more intimate kind of relationship with their customers.

This can be achieved partly through enhanced marketing and branding. Ultimately, though, the only guarantee of success is to treat each customer as a 'market of one' by providing products and services which are flexible, individualised and available through the customer's preferred channels.

Of course, consumer-focused products and services require consumer-focused technology and that's where NCR is so strong.

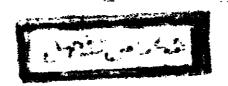
It's always been our philosophy to approach projects from the consumer's

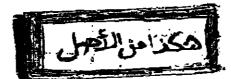
perspective and in doing so we've gained a unique and unrivalled understanding of their behaviour. Consequently, nobody is better prepared for the Age Of The Consumer and as consumers make life harder for banks, we can apply the solutions necessary for banks. to make life easier for consumers.

One way in which our expertise will grow is at the NCR Financial Services Knowledge Lab in London. It's a dedicated research facility where, along with our customers and other commercial and academic partners, we will constantly develop new insights into the hearts and minds of financial consumers.

To tilt the balance in your favour, email is all banking solutions@unitedkingdom.ncz.com or visit our web site:

http://ncr.knowledgelab.com NCR. Banking Solutions in the Age The Consumer.





Recital

## The Leading of the last of the Taste of Gerhard

lthough there has been no major festival featuring his music since the London Sinfonietta's Schoenberg/Gerhard series in 1973, the Anglo-Spanish composer Roberto Gerhard has at least managed to keep up a sporadic presence in this the centenary year of his birth

We can now hear a sizeable proportion of his output on CD and have even been able to experience a few of his major works in the concert hall recently, not to mention his opera The Duenna, due out on CD next year from Chandos following its revival by Opera North last year. Even so, justice has hardly been done to this major master, whose late works in particular are as inventive, innovative and rewarding as any from this half of the century. So it was disappointing

The state of the s

re your

10:00

that a recital at the Purcell Room last Thursday by the Kreutzer Quartet, due to feature Gerhard's two string quartets, was unavoidably cancelled owing to the injury of the group's cellist. But its replacement by a hastily assembled programme by the Kreutzer's leader, Peter Sheppard, and the pianist Aaron Shorr did at least provide a wellthought-through substitute of major 20th-century violin and plane works, and offered some compensation for Gerhardists in the form of the master's eloquently wrought Chaconne for solo violin, which Sheppard despatched with a panache which belied its superhuman technical demands

The inclusion of pieces by the other composers due to have featured at the quartet concert, Schoenberg - who was Gerhard's teacher - and Hugh Wood - who has acknowledged Gerhard's (and Schoenberg's) influence on his own music - also helped to capture something of the spirit of the adverrised recital.

If Wood's recent Poem, an impassioned song without words, seemed to owe most to Gerhard's Spanish-serial works of the 1950s, Schoenberg's late Phantasie was remarkably prescient of the mature Gerhard in its single movement and elusive thematic working, even if its combative surface is temper amentally the obverse of the scintillating euphoria of his pupil's most characteristic inventions.

That joy repeatedly surfaces in Debussy's late Sonata which, together with Satie's Choses vues à droite et à gauche, reminded us of Gerhard's early French leanings. Framing the whole recital

were two pre-war classics. full-blooded homages to their composers' respective folk traditions, which Sheppard and Shorr attacked ith typical empathy and ertuosity, responding as coopently to the rapid mood swings of Janáček's Sonata as to the exuberant melange of Ives's Sonata

It would be good to hear these players do Gerhard's late masterpiece for the

ARTS

Concert/Stephen Pettitt

## Jansons conducts a memorable comeback

arlier this year the world of classical music was shocked in its quiet way when it was announced that the Latvian conductor Mariss Jansons had fallen victim to a heart attack and would be cancelling all further engagements. And as so often, it happened to an apparently unlikely person.

Although his father, the conductor Arvid Jansons, also suffered from heart problems, Mariss. broad-shouldered and strongjawed, appeared to be an unassailably durable figure, though one noticed that he no longer cut the

slim, dashing figure that he used attended and testingly dry acousto. Without warning, a conductor tics of Sheffield City Hall, he gave wind and rounded brass sections the calculated. who was always the critical flayour of the month was not even one of the flavours on offer.

Now, after a six-month convaalbeit little by little, and flatteringly he chose the BBC National Orchestra of Wales above those other fine orchestras with which he has more lately been intimately associated - the Oslo and St Petersburg Philharmonics - to show us that he has lost none of now and again came from the his interpretative gifts.

Conducting in the sparsely

a majestic and memorable reading of Bruckner's Seventh Symphony. There were long pauses between

movements - perhaps a musical scence, he is on his way back, rather than a physical decision but from a distance a newly slimmed Jansons looked healthy enough. His performance utterly

transcended the technical blips like the patches of scrawny tone, unmercifully exposed, that upper strings.

In any case, there is nothing

(the latter considerably expanded in this work), nor with the entire orchestra's ability to pull together and play as one. They are certainly a long way from being "the world's worst orchestra", as a colleague rather ill-advisedly described them elsewhere not

long ago. What characterised the reading above all, and what was evident in the finely coloured, gradual unfolding of the first movement, was Jansons's beautifully measured, unhurried phrasing, which

There was microscopic attention to internal balance and the finest tuning of the music's characteristic layered dynamics. And was it just fancy that the conductor's brush with death had left him with an ever so slightly slightly deeper, riper insight than before? This is, after all, a work that can be seen as a reflection

upon death and transfiguration. Since reactions in these circumstances can rarely be entirely objective it is impossible to say for certain. But it is possible to

report that the Adagio, Bruckner's great outpouring in homage to Wagner, had an affecting sweep that intensified this music's already intense power, and that, just as in the preceding Scherzo, Jansons achieved what he did by allowing the music to be itself rather than through too much

imposition from the outside. By the close of the journey. after a finale judged to perfection, Bruckner's music had certainly achieved its purpose of elevating our senses to higher spiritual planes. It is wonderful to have Jansons back.

## Narrow academy

William Packer on this year's short-list for the Turner Prize and the work of the Jerwood award winners

oday the work of the artists short-listed for this year's Turner Prize, worth £20,000 to the winner, goes on show at the Tate, while last month saw the two Jerwood Prizes awarded, £30,000 for painting, and £15,000 for ceramics. These exercises, distinct in themselves, stand apart from the many other prize exhibitions in the calendar, not by virtue of their generosity but in respect of their

They not only stoke up particular excitement about the result as an event, but also propose a more general importance. Whether it is justified is another matter. This is the Turner's problem,

for with the authority of the Tate behind it, and the name of England's greatest painter to enhance it, the inference is clear. And yet, having been thus set up, it is immediately qualified. "To a British artist under 50 for an outstanding exhibition or other presentation of their (sic) work", runs the rubric.

Leaving aside the ageist incorrectness of the organisers, quite why the under-50s should be thus privileged has never been satisfactorily explained. Is it really only interesting, radical, relevant, "cutting-edge"?

awareness of new art, and allowing younger, fresher voices into the Tate" burbles Janey Walker of and metaphysical potential ..." Channel 4, the sponsors, though the rules have nothing of any such purpose or prescription. The reality is that the last thing any not of the narrow acad current avant-garde.

ntensely exciting though it is

to experience Ibsen's 1879

play A Doll's House for the

shown at the Hayward earlier this year, works with film and video. He now shows a work based upon a pre-war 'Dr Jekyll and Mr Hyde', using two large screens. again slowing the speed somewhat and making comparative cross-play between positive and

negative, reversal and inversion. Gary Hume (34) is a painter who makes ham-fistedness a salient virtue. He uses thick house-paint in bright colours and broad flat doses, simplifying his imagery to near-invisibility - a pair of feet, a engaged and radical way. His hand, an archly ironical brown and orange snowman. His green Whistler', in which we can just make out two fingers in a mouth, "plays on references to the celebrated artist of the same name."

imon Patterson (29) shows a map of the London Underground on which the stations are named after different categories of people, saints, artists, footballers and so forth. He has also covered an entire wall with a system of cosmic orbits, each assigned to an ideal world or state - Xanadu, Shangri La, Cloud 9 and so on. In the centre of the room are three sails on steel frames, each sportthe work of the young that is ing the name of a writer, Law- in the field of ceramic. His work is rence Sterne Currer Bell and Raymond Chandler. He "enjoys the "The Turner Prize . . . is raising relationship between language and objects... making connections ... discovering their literal

Craigie Horsfield (46) is a photographer whose subject is the world about him, in this instance a set of portraits, a nude, a dance Turner jury is prepared to do is to hall, a view across Barcelona's pick for its short-list any artist roofs at night. He leaves his negatives for years before working on them, bringing the past as it were So who are this year's fresh out- into the present. He prints them standing voices? Douglas Gordon up inordinately enlarged, which Street W1, until November 2.

(29), he of the '24 hour Psycho' inevitably lends a portentous presence to what might otherwise be unremarkable. The winner will be declared on November 28. Messieurs, mesdames, faites vos jeux.

By coincidence, though the Jerwood prize shows are now over, the two winners have shows in London. John Hubbard (65), at Purdy/Hicks, is as fine a painter from the landscape as we have, and one, pace the Turner, clearly changing, developing and maturing all the time, and in the most work lately has become more direct, less abstracted in its response, all clouds and storms and waves breaking on the shore. The vertiginous views above the sands of an estuary, spread out like a map far below, are subtle yet adventurous, his best yet.

Philip Eglin (37), at Contemporary Applied Arts, stands in a tradition of figurative ceramic that goes back variously through Staffordshire and Chelsea all the way to the Han and Tang dynasties, yet remains entirely of the present. He demonstrates, moreover, along with Claire Curneen who shares the gallery, that much of the most adventurous work with the modelled figure is being done properly sculpture by another name, beautifully modelled with a relaxed assurance that recalls Dalou as much as anyone, for all the activity of the surface decoration. These are remarkable and beautiful things.

The Turner Prize Exhibition: Tate Gallery, Millbank SW1, until Jannary 12, sponsored by Channel 4. John Hubbard - Scottish Paintings: Purdy/Hicks, 6 Street SE1. Philip Eglin: Contemporary Applied Arts, 2 Percy



Theatre/Alastair Macaulay

## Tension in 'A Doll's House'

first time, it is more exciting yet to return to it. Nora the dollwife will learn to insist that her first duty is not to her husband and children but to herself as a human being. You think you know what will happen - and yet he has you on the edge of your seat. And, when it does happen, it takes you by surprise. The riveting and central feature of this staging is the performance

of Janet McTeer as Nora. Seldom offstage, in a play lasting over three hours, she carries everything with her. She has warmth, variety, immediacy, spontaneity. I have never seen her act so well. Daringly, she employs such an array of still-girlish laughter, dismissive wrist-flipping gestures (as Antony Bye if to say "I won't think about it

until tomorrow"), and nervous gush that she makes Nora half-infectious, half-infuriating: which is, surely, her intention. All of these thoughtless ways and manners she shows are spiritually diminutive; they are part of the immature skin she starts to shed at the end of the play. And, as she finds herself in one dilemma after another, she, wonderfully, shuts and then opens her eyes, opens them wide, so that, as the final act proceeds, you truly feel the scales falling from her eyes. But it seems wrong to analyse her performance in terms of individual features. Indeed, at two or

three points, I think she miscal- ing her with him, she is left alone. culates or misfires. (In particular, she overdoes the overwrought shrieks in her not-good-enough tarantella. In 1879, by the way, the original Nora, had begun her stage career as a Bournonvilletrained ballerina in Copenhagen, and would have danced many tarantellas in such ballets as Napoli.) But the overriding virtue of McTeer's performance is its unhesitating immediacy. This Nora is all self-contradictions. When Nils Krogstad leaves her, having made his bombshell announcement that he will not be dragged to the gutter without tak-

She stands quite still then she slowly sits down and in the next moment she says "Rubbish!" and laughs it off, or, rather, she tries laughing it off for the soliloquy that follows is all vacillation.

Most thrilling of all is her pacing of the final scene with her husband. When she comes to the play's most famous line, the great feminist credo "I believe that I am a human being!", she has been backed by him, almost literally, up against a wall, and it comes from her as a hoarse, almost voiceless, scream, not loud; then, through the marvellous shock

Art Tel: 1-415-357-4000

that follows that climax, she adds. with less tension and more voice, "Or at least I will try to become one." She is still weak, and knows it, and her humility and realism are extremely moving. Only later does she achieve anger (feminist anger, too). When he says "No man sacri-

fices his integrity for the person he loves", she shouts back "Hundreds and thousands of women have!" with sudden, rasping rage. from the chest.

McTeer wears her hair flowing fully down to her waist through-out, and her slender figure has seldom appeared to better advan-

keeps her body language and voice always in minor, domestic scale. Owen Teale, as her husband, is tall and broad enough to make her seem frail, and he conveys in every way the assurance she lacks. The way he reaches the verge of marital rape, earlier in the last act, is very finely judged. But fine judgment is in evidence almost everywhere here. Witness the casting of Gabrielle Lloyd as Kristine Lande, John Carlisle as Dr Rank, and Peter Gowen as Krogstad: roles all played in the round, revealing themselves and surprising us from one minute to the next.

tage. She is a tall woman, but she

For this, every praise to Anthony Page's direction. I query several decisions made by Frank McGuinness, author of the new English version used here, but the text plays well.

# INTERNATIONAL

#### **AMSTERDAM**

CONCERT Concertgebouw Tel: 31-20-6718345 Koninklijk Concertgebouworkest: with conductor John Eliot Gardiner and mezzo-soprano Anne Sofie von Otter perform works by Weber, Mahler and Schubert, 6.15pm; Oct 31

Stedelijk Museum Tel: 31-20-5732911 The Unbelievable Truth: exhibition of works by young artists living in Amsterdam and Glasgow. Included in the exhibition are works by Fanni Niemi-Junkola, A.P. Komen & Karen Murphy, David Shrigley, Job Koelewijn and John Shankie; to Dec 8

#### ANTWERP

DANCE De Singel Tel: 32-3-2483800

EXHIBITION

 Le cri du caméléon: a choreography by Josef Nadj to music by Tickmayer, performed by the Compagnie Anomalie and the Centre Choréographique Nationale d'Orléans. Soloists include Etienne Arlettaz, Amoud Clavet and Vincent Gomez, 8pm; Oct 29, 30

#### BARCELONA CONCERT

Palau de la Música Catalana Tel: 34-3-2681000 Orchestre de Chambre de Lausanne: with conductor Jesus López Cobos, harpist Chantal Mathieu, harpsichordist Christiane Jaccottet and planist Brigitte Meyer perform works by Faure, Martin and Bizet, 9pm; Oct 31

#### **BERLIN**

CONCERT Konzerthaus Tel: 49-30-203090 Missa Solemnis in D major, Op.123; by Beethoven, Performed by the Philharmonisches Orchester Köslin with conductor Gert Sell, soprano Daniela Gericke, alto Saskia Klumpp, tenor Krzysztof Szmyt, bass Holger Gerberding, organ player Jürgen Lindner and the Berliner Oratorienchor; 8pm; Oct 30

## **■ CHICAGO**

THEATRE The Goodman Theatre Tel: 1-312-443-3800 Seeking the Genesis: by Conthron. Directed by Walter Dallas. The cast includes Ora Jones, Demetrius D.Thornton, Raphael Chestang, and Tim Edward Rhoze; Tue-Thu, Sun 7.30pm, Fri, Sat 8pm, Sat, Sun also 2pm; to Nov 17

#### **■ GENEVA** CONCERT

Victoria Hall Tel: 41-22-3283573 Orchestra of St John's Smith Square: with conductor John Lubbock and pianist André Watts perform works by Rossini. Beethoven, Delius and Schubert, 8.30pm; Oct 31

#### LONDON

CONCERT Barbican Hall Tel: 44-171-6384141 London Symphony Orchestra: with conductor Riccardo Chailly perform works by Mozart and Britten; 7.30pm; Oct 30 Purceli Room Tel: 44-171-9604242 Gould Piano Trio: perform

works by Haydn and Dvorák;

#### MADRID

1.05pm; Oct 31

CONCERT Auditorio Nacional de Música Tel: 34-1-3370100 Orchestre de Chambre de Lausanne: with conductor Jesús López Cobos and soprano Maria José Montiel perform works by Hayon, Mozart and Weber; 7,30pm; Oct 30

## MUNICH

OPERA Nationaltheater

Tel: 49-89-21851920 Ariadne auf Naxos: by R. Strauss. Conducted by Sir Colin Davis and performed by the Bayerische Staatsoper. Soloists include Susan Graham, Christiane Schäfer and Hermann Prey; 7.30pm; Oct 30; Nov 2

#### ■ NEW YORK **OPERA**

Metropolitan Opera House Tel: 1-212-362-6000 Carmen: by Bizet. Conducted by James Levine, performed by the Metropolitan Opera. Soloists include Angela Gheorghiu, Placido Domingo and Sergei Leiferkus; 7pm; Öct 31

#### PARIS EXHIBITION Musée d'Orsay

Tel: 33-1 40 49 48 14 L'Origine du Monde – autour d'un chef d'oeuvre de Courbet. exhibition seeking to retrace the history of Gustave Courbet's painting "L'Origine du Monde". Other major works included in the exhibition are Ingres' "Le Bain Turc" from the collection of the Musée du Louvre, "Le Sommeil" from the collection of the Musée du Petit Palais, and Courbet's "La

#### Gallery in Buffalo; to Jan 5 ■ SAN FRANCISCO

Source de la Loue" from the

collection of the Albright Knox Art

EXHIBITION SFMOMA - Museum of Modern first solo museum survey of the work of this young German sculptor, who represented Germany in the summer 1995 Venice Biennale. From Oct 31 to Mar 11

Katharina Fritsch: this is the

#### STOCKHOLM CONCERT

Stockholms Konserthuset Tel: 46-8-7860200 Filharmonikema: with conductor Andrew Davis and cellist Frans Helmerson perform works by Janácek and Dvorák; 7.30pm; Oct 30

#### STRASBOURG

Théâtre Municipal de Strasbourg - Opéra du Rhin Tel: 33-88 75 48 00 Owen Wingrave: by Britten. Conducted by Claude Schnitzler and performed by the Orchestre Symphonique de Mulhouse. Soloists include Christian Tréguier, Jean-Francis Monsvoisin and Dominique Gless; 8pm; Oct 30

#### **VIENNA**

CONCERT Musikverein Tel: 43-1-5058681 fidiko Raimondi: recital by the soprano, accompanied by pianist David Lutz. The programme includes works by Schubert; 7,30pm; Oct 30

EXHIBITION Palais Harrach

Tel: 43-1-52524 ◆ The Message of Music – 1000 Years of Music in Austria: exhibition focusing on music composed or performed in Austria since the early Middle Ages. The exhibits include autographs, manuscripts, instruments, and other objects; to Apr 1

#### ■ WASHINGTON CONCERT

Concert Hall Tel: 1-202-467 4600 National Symphony Orchestra: with conductor Barry Jekowsky, pianist Awadagin Pratt and mezzo-soprano Virginia Alonso-Tokarz perform works by Theofanidis, Falla and

Tchaikovsky; 8.30pm; Oct 31

#### ZURICH

EXHIBITION

Museum für Gestaltung Zürich Tel: 41-1-446 2211 • Universal: this exhibition of objects, posters, videos, documents and other items focuses on the growing desire to unite as many functions as possible into one design; from Oct 30 to Jan 5

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European Money Wheel 18.00

Financial Times Business Tonight



Martin Wolf

## An unhealthy trade-off

Little discipline has been imposed on the growing number of preferential trade agreements which can cause more economic harm than good

Names matter. Who but a staunch protectionist could have anything against a "free trade agreement"? "Preferential trade agreements" sound less benign, while "discriminatory trade agreements", yet another name for the same thing, sound nasty. They can indeed be nasty - and need to be controlled.

Between 1947 and 1992, 85 preferential trade agreements were notified to the General Agreement on Tariffs and Trade (Gatt), predecessor of the World Trade Organisation (WTO). Since 1992 another 60 have been added. Altogether, 80 of the 145 are in force.

All but three WTO members – Japan, Korea and Hong Kong - are members of one, or more, preferential trade arrangement. Some of the latter are of little global significance - that between Slovakia and Slovenia, for example. But some, such as Mercosur in south America and Asean in south-east Asia, include big developing countries. Those within Europe and north America embrace the globe's foremost trading powers.

Notwithstanding their importance, virtually no discipline has been imposed on the growth of these arrangements. While only one has been found in full conformity with the Gatt, none has ever been rejected. Effectively, these arrangements operate in limbo.

Meanwhile, alongside the preferential arrangements. strictly defined, have come a number of still broader initiatives, such as the Asia-Pacific Economic Cooperation forum (Apec) and, more speculatively, the Transatlantic Free Trade Arrangement (Tafta). Since these potentially cover most trade, they threaten the development of mutually inconsistent rules and imperil the WTO's relevance as a rule-making forum, Proponents argue that:

Rules can more easily be

negotiated in a closed group of like-minded countries than in the unwieldy WTO. Where global liberalisation is infeasible, regional trade agreements are the best alternative.

• Regional trade agreements stimulate global liberalisation. Regional trade liberalisa-

tion is beneficial because proximity determines whether countries are natural partners. Preferential trade liberal-

isation between "natural" trading partners is economically beneficial.

None of these arguments is compelling.

First, even if rules could be agreed more easily among like-minded countries, there is no reason why these countries should be neighbours. Nor is there any reason why the membership any such group should be limited in advance. It would be far better to open discussions intended to develop rules in areas not covered by the WTO to any country prepared to join.

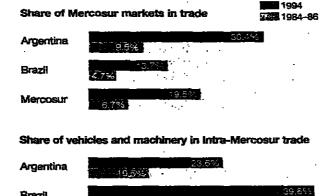
Second, the argument that global trade liberalisation is infeasible is hardly credible after successful completion of the Uruguay Round of multilateral trade negotiations. Nor do the US and EU need to go outside the WTO to pursue liberalisation. On the contrary, they have themselves been among the principal obstacles to liberalisation within it.

arrangements may have stimulated global liberalisation. But there is no inevitability about this. In fact, negotiating preferential agreements raises obstacles to further liberalisation, by diverting time and effort and by creating vested interests in their continuation.

Fourth, proximity does not determine whether a country is a "natural" trading partner. Other things being equal, a country will trade more with a neighbour than half a world away. But a country will do more trade with a big. but distant, country than with a small neighbour: in 1993 Chile sent 6 per cent of its exports to Argentina and 16 per cent to the US.

Finally, even with "natural" trading partners - by which is meant countries with which bilateral trade is large - preferential trade can be harmful. The point is explained in a rigorous anal-

Trade diversion in South America



Bhagwati of Columbia University and Arvind Panagariya of the University of Maryland.\* If two countries already trade a great deal with each other, room for beneficial additional trade Third, preferential trading may be small. But if trade is diverted towards a high-cost partner, away from lowercost suppliers elsewhere,

> the losses may be large. One source of such losses would be the transfer of the tariff revenue on imports from the rest of the world to uncompetitive producers in partner countries. As if to demonstrate the truth of these propositions, a draft report by Mr Alexander Yeats of the World Bank raises doubts about the ben-

efits of Mercosur.\*\*

Although Mercosur has led

to a rapid rise in trade

among its partners, that

growth may not generate many economic benefits. As Mr Yeats demonstrates (and the chart indicates) the most rapid increase has been in transport equipment and machinery. These are capital-intensive goods. in which members of Mercosur have shown little global competitiveness. In fact, says Mr Yeats, the higher the rate of growth of internal trade in a category the worse its performance on

world markets has been. Why has this happened? The answer is that for some uncompetitive products Mercosur retains high-tariff and non-tariff protection. Importing countries are paying high prices for imports of these goods from their partners – a recipe for mutual impoverishment.

The way to lower these costs is to eliminate the distortion, by moving towards external liberalisation as rapidly as possible. This is just as true for other arrangements, such as the EU and NAFTA. Similarly, the simplest way to minimise the potential problem of mutually inconsistent rules is to negotiate

ysis by Professors Jagdish them at a global level. The conclusions are simple enough:

• Discriminatory (or preferential) liberalisation is not necessarily beneficial for participants, let alone the rest of the world • Geographical proximity

need not be the right

starting point for preferen-

tial liberalisation. The best way to develop consistent and predictable rules for a liberal global economy is unlikely to be through discussions in groupings that are closed to outside members.

Discrimination within exclusive sub-groups cannot provide an enduring basis for a world-wide order. It is bound to generate friction and create inconsistency. Precisely for these reasons non-discrimination and multilateral negotiation were the founding principles of the Gatt. They were seen as ways to protect the weak from the bullying of the strong; to promote economically rational trade, instead of arbitrary favours; and to put coherent and predictable rules in place of a patchwork of mutually inconsistent and complex trading regimes.

The uncontrolled march towards regionalism threatens all this. At the least, WTO disciplines on regional initiatives must be given bite. Ideally, the thrust towards regional liberalisation and rule-making needs to be shifted firmly into global channels

\* Preferential Trading Areas and Multilateralism Strangers, Friends, or Foes? in Bhagwati and Panagariya (eds). The Economics of Preferential Trade Agreements (American Enterprise Institute, Washington DC,

1996).
\*\* Does Mercosur's Trade Performance Justify Concerns about the Effects of Regional Trade Arrangements? Yes! (World Bank,

## ·LETTERS TO THE EDITION

Number One Southwark Bridge, London SEI 981

We are keen to encourage letters from readers artifued the world. Letters may be find +44 171-873 5938 (please set fax to fine ), a main letters and editor of toward Published letters are also available on the FT web site in the him livews FT artifue Translation may be available for letters withten in the main international translation.

## Mr Issing not even growling

From Ms Alison Cottrell. Sir. Would that the tone of your editorial ("Mr Issing barks", October 25) - that Germany is recovering to a degree that puts the interest rate risk on the upside were true, at least for the sake of its 10.4 per cent unemployed. While the evidence you present is undoubtedly correct, it is.

however, misleading.

True, output is now 6.4 per cent above its February level: that is what happens when you compare a summer month with a month so cold that virtually nothing could be produced or built. On a nine- or 12-month comparison. output is 2.4 per cent higher. True, gross domestic product grew at a 2 per cent pace in the 1996 first half (and it is a sad reflection on the extent to which we have become accustomed to a near-recessionary Europe, that this seems startling). But this recovery remains export- rather than

domestically driven, and the

recent debacle over next

year's tax policy will have done little to encourage confidence at home.

True, M3 rose at an 8.4 per cent rate to September, on the Bundesbank's idiosyncratic annualised measure. But this is par for the course for a central bank which has missed its targets as often as it has hit them. and a strong "headline" conceals some very weak hank lending numbers.

And, true, the D-Mark has fallen 6 per cent from its March 1995 peak - the rapid ascent to which proved a nightmare for both central bank and economy, and which took more than a year of skilful policy and speech-writing to correct. Compared with January 1995, the D-Mark is an insignificant 0.3 per cent

"If it were not for very low consumer price inflation . . . the Bundesbank might even be thinking of tightening". This is a very big "if"; and while the statement is. again, undenlably correct, it is scarcely relevant to

Germany at the present time. In a fragile. low-inflation-recovery, the Bundesbank will continue to pursue a policy of stability. Interest rates have not been cut in 1996 to kick-start growth, but to prevent the very gradual recovery already in place from being knee-capped by D-Mark appreciation. A stable monetary environment does

not necessarily imply rigid

interest rates. Mr Issing's teeth are, indeed, very sharp. But, contrary to the one factually questionable statement in your editorial, the Bundesbank's most professional watchdog is not just barking". He has not even felt the need to growt when he does, the markets will not need to look to newspapers to discover they have been savaged.

Alison Cottrell, executive director. PaineWebber International 1 Finsbury Avenue London EC2M 2PA, UK

#### Little confidence in Czech stock market

know Mr Boland was present

shareholders' interests. I

at an election rally earlier

shareholder asked Mr Klaus

this year when a Czech

From Mr Markus Winkler. Sir, I noted Vincent Boland's understated observation "Mr Klaus rarely reacts to the sentiments of foreign investors" in his article on the Czech banking crisis ("Prime minister hails interest of foreign investor", October 23). This comment fails to convey Mr Vaclay Klaus's disdain for

what he proposed to do about insider dealing on the Czech stock market. In dismissing the question, Mr Klaus replied: "Minority shareholder rights are the flavour of the month!" The Klaus government has

a long way to go to convince

foreign investors to return to the IPB Bank-dominated stock market rife with insider deals. A good start would be to announce public support for an independent Securities and Exchange Commission and actually to create one

Markus Winkler. Wernerstrasse 14. 8038 Zurich,

Belgium

#### Women already spotted Republican flaws

From Ms Lousewies van der

protecting minority

Sir, Michael Prowse ("Politics of gender". October 28) hopes that if "American conservatives

argued their case more

back more women voters". He misses the point. It is not that the Republicans do not argue their case well; it is that their policies are

flawed. And perhaps women

adroitly, they just might win have been a bit more adroit in spotting this.

> Lousewies van der Laan, Patriottenstraat 6, 1000 Brussels,

## Staying the course **denetits others**

Last week we said that economic return is an important factor in our decision to enter or exit business in any nation. A corollary to this-particularly in countries where attention is focused on civil and political reforms—is our belief that great global companies can be a positive force for change. We know this from our experiences in Indonesia, Saudi Arabia and Nigeria.

Mercosur

Source: UN Comtrade records; Year

Some 30 years ago, an abortive coup by the Indonesian Communist Party triggered bloodshed and months of turmoil. Operating in the country since the turn of the century. Mobil had a substantial presence as well as assets there. We had a choice to make. Fortunately, those who made the choice reasoned that it was better to ride out the storm than to cut and run.

Five years later, the Arun natural gas field was discovered in Sumatra. That discovery made Mobil one of the world's leading natural gas companies and gave us a major source of earnings for many years. Indonesia also gained from the discovery, becoming a leading exporter of natural gas liquids and a major economic force in the Asia-Pacific region. In the process, many of its citizens acquired skills that would lead to highwage jobs and successful careers.

From the very beginning, Mobil and the government of Indonesia partnered for mutual benefit. The goal was to make Arun both a technical and commercial success. The project's viability was tied to Mobil's transferring technical know-how to the native work force. We established a technical school in northern Sumatra so Indonesians could acquire the skills needed for this monumental project. Many later went on to receive engineering degrees.

Our presence in Saudi Arabia brought similar benefits to its citizens. As a partner with Aramco, the state-owned oil company, Mobil trained many young Saudis as we helped develop the kingdom's resources. The curriculum included planning, market economics and organization along with on-the-job training in how large multinational oil companies operate. Many of the kingdom's present business leaders as well as several government officials came from Aramco's ranks.

Such experience keeps us optimistic about our impact in Nigeria. Through our joint venture with Nigerian National Petroleum Corporation. Mobil produces for Nigeria about 500,000 barrels a day of liquid hydrocarbons from several offshore fields. Our operations there date back to 1907. The investments that we and others are making to develop its energy resources are helping provide for the nation's future.

With nearly 1,600 employees—95 percent of them Nigerian nationals—our people range from clerks and secretaries to plant managers and directors. They enjoy employment conditions hard to match in any other industry, including training, development and advancement inside and outside Nigeria.

Mobil's impact and investments go far beyond the gates of our facilities. Because our affiliates in Nigeria are an integral part of their local communities and the nation as a whole, our people have developed programs that benefit many levels of society. These include projects in education, health, water supply, roads, electricity, sports, as well as the arts and culture.

Should American oil companies and other multinationals continue to invest heavily in developing countries—even trouble spots? The answer is yes. We will continue to explore for and develop the oil and gas supplies needed in the years ahead. Rather than cut and run from trouble spots, we will work to change them. By operating to the highest standards of business ethics, social responsibility and environmental safety, we believe Mobil can positively influence change.

## Mobil

http://www.mobil.com

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## The FT Interview • Helmut Maucher

## The threat from without



What does big ent negotiaintergovern-

mental conference on the future of the European Union? According to Mr Helmut Maucher, chairman of Nestlé since 1990, a more effective, better-managed Union, one which looks outward at the competitive threat facing European business rather than inwards at the minutiae of its own organisation.

Mr Maucher, who comes from the German milkproducing region of Allegu. is a committed European whose private obsession has long been competitiveness. But he also speaks for some of Europe's largest businesses: this year he became chairman of the European Round Table of Industrialists (ERT) which brings together 47 heads of companies such as British Petroleum, Bayer, Ericsson, Philips and Siemens.

In the mid-1980s, the ERT, led by Floris Maljers of Unilever and Carlo De Benedetti of Olivetti, helped Jacques Delors drive through the vision of a single European market of 350m consumers. Mr Maucher now warns that unless the 15 member states strengthen their capacity to act collectively, the Union is condemned to further political and economic decline in relation to the US and Asia.

"The mentality of Europe is in many ways the mentality of a dying society," he says during an interview at Nestlé's Frankfurt office. We suffer from hedonism, narcissism and the unwillingness to take risks. We are moving from a society of commitments to a society of

A crusty industrialist of the old school, Mr Maucher, 68, has never been afraid of speaking his mind. He made his reputation in the 1970s defending Nestlé during the controversy over the promotion of baby-milk products in developing countries.

He can quote the recent European Commission report which showed the Union's share of exports to other countries in the Organisation for Economic Co-operation and Development has been falling since

Nestlé's chairman tells **Lionel Barber** Europe must become more competitive



Helmut Maucher: never afraid to speak his mind

1987. The report blamed a dramatic. "I don't agree with markets, inadequate profit margins and unsatisfactory returns on investment. Mr Maucher sees the EU's

basic weakness as the failure of its institutions to keep pace with the liberalisation which has transformed the global economy over the past 10 years. Today, European companies can move capital and technology at will in a world with tremendous differences in labour costs. The short-term impact on a country's competitiveness and employment can be The next step for:

the European Union is to define a 'core' set of common activities to which all members including the UK

must subscribe

weak presence in growth Jimmy Goldsmith, but some of his analysis is not bad," he says.

Mr Maucher praises efforts to reduce public deficits in the common drive to monetary union, notably in France, Italy and Spain. But he has no enthusiasm for the new "jobs chapter" proposed for the Union by Sweden. Instead, more must be done to roll back the frontiers of the public sector and trim taxes. And pan-European energy telecommunications and transport networks are needed to replace high-cost national

His biggest gripe is over regulation - which has, for favourite Mancher expresexample, driven genetic sion - with those who refuse engineering out of Europe, to sign up: The Germans, he says, are the champion meddlers. He has little patience with his countrymen's latest angst over mad cow disease, scoff. ing at the way in which "a one in a billion risk" leads to the slaughter of hundreds of thousands of cattle.

EU's slow process of transferring sovereignty from nation states to collective decision-making institutions in Brussels. He believes the

Union, through the European Commission, should aspects of external economic relations, including trade in services, investment and the protection of intellectual:

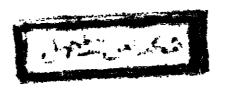
Though a late convert to economic and monetary union, Mr Maucher sees th single currency as essential to deepening integration. The future independent European central bank wi have exclusive responsibility for monetary policy, leading to fiscal harmonisation among members of the curo

He believes it makes no r sense, on practical or pol cal grounds, to transfer edit cation and health policy to Brussels. And powers in fereign policy and defence will continue to be shared between the EU and national

But Mr Maucher believe the next step for the Union is to define a "core" set of common activities to which all members - including the semi-detached. British must subscribe. These should be the free flow to goods, people, capital sadeservices, a common foreign and defence policy, stream lined decision making with

more majority voting most common immigration folici-tie admires the post-Thatcher UK economy its flexible labour markets. and he is no fan of the KU's Social Chapter which seeks to establish minimum standards in social and labour policy. But like a growing number of Europeans, Mr Maucher has become impatient with the British who. he suggests, want the hene fits of membership without the obligations. The EU will have to be "bratal" - a

Without closer European integration, he believes the continent's companies will be doomed to play second fiddle in world markets. Mr Maucher's biggest fear is heing unable to negotiate on equal terms with the Mr Maucher supports the mutual economic interest such as accounting standards or tax where the difference between success and failure can be messured in tens of millions of dollars



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## **COMMENT & ANALYSIS**

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Tuesday October 29 1996

## Heart of darkness

The crisis in eastern Zaire has all the ingredients of a catastro-phe that could envelope central Africa: bitter ethnic rivalries. frontiers under strain, fragile governments, hundreds of thou-sands of refugees on the move. Most worrying of all, President Mobutu Sese Seko, Zaire's autocratic leader and the region's dominant figure, remains abroad, his ill-health leaving a power vacuum in the heart of the continent.

For the last two years Zaire has helped destabilise its eastern neighbours, Rwanda and Burandi, by providing a haven to Huta guerrillas fighting the Tutsi dominated armies of both countries. Now the regimes in Kigali and Bujumbura have Every day ma returned the compliment, problematical. encouraging a Tutsi rebellion Hutu refugees further away from the frontier. This could be the trigger which starts the disintegration of Zaire itself, with the risk of insurrection and secessionist movements spilling over into its southern neigh-

bours, Zambia and Angola. Anarchy could have been international community had taken firm action to sort the of aid, but as a political genuine refugees from the one.

genuine olese certain camps. With so much at stake, the extremists, close certain camps, With so much at stake, the and give those truly afraid of international community canreturning to Rwanda the chance to move further into Zaire. This summer's surprisingly successful return of 80,000 Rwandan refugees pushed out of Burundi by the new Tutsi military regime there showed that fears of mass arrests were unfounded. The refugees could yet be reabsorbed among their fellow Hutus, who remain the majority of the population.

But only half-hearted attempts were made, and when last August Zaire tried to take more forceful action the world colonially imposed national cried foul. The attempt, which appeared to be breaking the back of the intimidation in the camps with remarkable success, was abandoned.

Rwanda cannot turn its back on genocide and civilianise its institutions so long as infiltrators from Zaire are destroying its infrastructure and killing witnesses to the genocide, as well as Hutu "collaborators". As it is, the escalating attacks on its border are further polarising Rwandan society, encouraging a Tutsi-dominated army to treat the Hutu majority with suspicion and increasing brutality. Every day makes return more

By keeping the camps in inside Zaire in order to push the being the UN has nurtured a guerrilla movement whose genocidal tendencies have already been established. It has also allowed the poison of the Hutu-Tutsi war to spread into Zaire, raising the likelihood of a regional ethnic war. From now on the region must be tackled not primarily as a humanitarian averted if, two years ago, the crisis, requiring massive but ultimately ineffective injections

> not help being involved. It should bring together the leaders of all three countries and press them with the strongest arguments at its disposal to abandon the traditional practice of supporting their neighbours' insurgency movements. And the refugees, who have been little more than pawns in the hands of the regional powers, must be

## No contest

The race for the post of chief contest. executive in Hong Kong is Each of these contenders has under way in earnest. When pledged to uphold the one counnominations closed yesterday more than 30 people had put forward their names to govern the territory after its reversion to China next July. Four, two businessmen and two former members of the judiciary, are seen as serious candidates.

The process is one of selection rather than election. The successful candidate will be chosen by a 400-strong body whose membership is determined by Beijing, China will then formaily make the appointment. For that reason Mrs Anson Chan, Hong Kong's chief secretary, has been obliged to rule herself out. Mrs Chan, a

unch defender of Hong ing's autonomy, would be the people's choice. But Beijing is wary of her close links with Mr Chris Patten's administration.

Instead the frontrunger is the Chee-hwa. Ris opponents are Sir Ti Liang-yang, the former chief justice, Mr Simon Li, a former Peter Woo, the businessman son-in-law of the late Y K Pao. There are strong suspicions in the territory, though, that Beijing is more interested in the form than the substance of a

Try two sys is designed to safeguard Hong Kong's freedom and prosperity after 1997. To that end, they would like Mrs Chan to remain as chief secretary. But, with more than half an eye on their new political master, the candidates have also stressed the need for conciliation rather than confrontation in relations with Beijing.

On one level that seems common sense. It betrays, though, a worrying ambiguity about the task of the chief executive. As Mrs Chan has remarked, unholding Hong Kong's auton omy and preserving the freedoms and rights enshrined in the Joint Declaration and the Basic Law will require courage and strong leadership.

China's questioning of the scope for freedom of expression shipping magnate Mr Tung after 1997 and its planned appointment of a new provisional legislature have already put in question the autonomy appeals court judge, and Mr on which Hong Kong's interna tional reputation depends. The damage can be undone only if the new chief executive acts first and foremost to represent Hong Kong in Beijing rather than vice-versa.

## Knives out

Conservative and Labour parties really ought to find some other subject to bicker about their use. The Offensive Weap knives. There is little disagreement between them although the issue, like the possession of hand guns, raises strong emotions, and some questions of

civil liberty. For this reason it should be considered calmly by politicians outside party divisions, rather than in an unseemly competition for media applause. When Mr John Prescott, Labour's deputy leader, emerged last week from a central London shop brandishing a 28cm Bowie knife and held it up for the cameras. he was making a good point in the wrong way.

Fanning popular outrage on such subjects too often leads to bad law - a point which can be levelled equally against the Tories' attempt to manufacture a moral crusade out of prison

sentencing policy. It is easy to agree that some of the victous weapons now lence and death, which some available in UK shops can have weapons represent. This is an no possible use for law abiding citizens. However, it less obvious that new laws are needed. Flick knives were banned in 1939 Under the Criminal Justice Act, 1988, 14 different kinds of with no new legislation.

The leaders of the UK knife are banned and others may be added. The 1993 Carry ing of Knives Act restricted han the banning of combat ons Act of 1996 tightened the restrictions for children. The Criminal Justice and Public Order Act of 1994 gives the police powers to stop and search

people for weapons. The L'K needs neither additional laws nor a "mother's campaign" orchestrated by Mr Prescott. It needs a prosaic attempt by lawyers and the police to find a robust definition of military style knives which distinguishes them from those

for legitimate use. This has proved difficult knives of many kinds are needed, not just in the kitchen. but for sport, trades and country use. For many law abilting people, including boy secure, a knife has been a traditional

symbol of manhood. No reasonable law can prevent thugs and criminals from buying a lethal blade. The issue is rather the glorification of vicoffence to public taste. So if the words can be found to restrict the sale of knives designed to kill people, it should be done without further posturing and

# All change on UK railways

Privatisation has produced significant improvements in services but public scepticism persists, writes **Charles Batchelor** 

ail privatisation in the UK is well under way. Around Britain, new operating companies are cutting journey times to far-flung parts of the country and offering bargain fares between big cities. On London commuter lines, the French-owned Connex South Central company has introduced an off-peak service every 10 minutes so that passengers can travel when they want and "throw away their timetables",

The aim is to make profits by luring travellers back to rail; the growth of car travel has pushed rail's share of the passenger market down to 5 per cent today from 19 per cent in the mid-1950s.

Already 13 of the 25 passenger operating franchises have been sold. Other parts of the business including most freight operations and all the track and rolling stock maintenance businesses, are also in private hands. Railtrack, owner of railway track and signalling, was floated on the London Stock Exchange in May.

The UK's railways must now demonstrate that opponents of privatisation are wrong, that the pain and the cost of fragmenting the state-owned British Rail into more than 80 separate companies have been worthwhile.

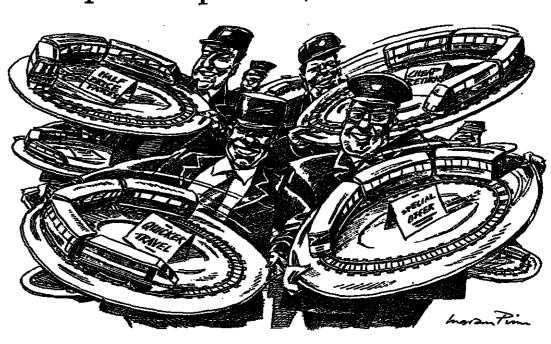
Similar battles were fought over previous privatisations. Few people would deny that UK telecoms companies and British Airways are much better than their state-owned predecessors. But more recent privatisations such as water and electricity have yet to prove themselves.

In spite of British Rail's poor record of service and investment, "selling" rail privatisation to the travelling public will not be easy. "The fragmentation confuses pas sengers and drives them away," says Mr Jonathan Bray, coordinator of the Save Our Railways group, one of the most vigorous opponents of privatisation. The privatised operators -

most of them owned by UK bus companies - insist that they are making the changes that their customers want and that BR never managed to introduce. Faster journeys and better ser-

vice are essential to the strategy. Great Western, which runs fast trains to the west country and south Wales from London, plans m the ousy summe Track improvements have already cut up to 20 minutes off journey times and the company is pressing Railtrack to upgrade further sections of track. New or refurbished trains are

to be introduced on many lines under the contracts negotiated between the companies and the



#### Passenger companies

Franchise ††	New Owner		Ticket Revenues	Route Miles	Employees
Great Western	. Wenegement	ArsiBas N	£m* 227		2,900
South West Trains	Stagecoach		280	460	4,000
friedCity E. Coast	Sea Container		2061	950	
Gabrick Express	National Exore	488	97+	27	310
Midwed Main Line	National Extra	# POST 3	58.5f	173 **	1,100
Network South Central	Connex Rail		157+	373	3,095
London Tibury & Southerid	Prism Plaif	27.位为2000年	55	64	770
Chiltern	.Management/.	lohn i alog	22+	109	360
South Eastern	Connex Rait		233	442	3.900
Certiff Railway	Prism Rail		6.2	86	315
South Wales & West	Prism Plan	<b>发展</b>	44.5	1,569	1,400
Thames Trains	Go-Ahead/Mar	nagement	46.5†		1,000
Island Line	Stagecoach		0.73	814	44
Freight	New Owner			Revenues	Employees
companies	•			£m	
Trainload Freight	Wisconsin Cer	ntral Transport	ation	512	7,500
	Wisconsin Cer	nual Transport	accon .	57†	750
Freightliner	<ul> <li>Management</li> </ul>	·		88	1,090

Salmon. And various companies are considering introducing tilting trains which would reduce journey times without the need for expensive track improve-

Great Western has begun to refurbish its 20-year-old trains. "We had our first train ready in eight months. It would have taken us two to three years to run as many trains in winter under BR by the time the proposal nao gone toroi tees," says Mr Brian Scott, managing director.

Gatwick Express, which links London to Gatwick airport, is increasing the number of onboard staff serving drinks and snacks and plans to introduce an airport check-in service on its London. trains for business class air trav-

the night to serve airline passengers and airport staff.

Fares, which for many years have risen at a faster rate than inflation, are also being used to win customers. BR's response to falling passenger numbers was to raise fares. This helped maintain ticket revenues for short periods but soon drove passengers away. West Coast InterCity and its

east coast counterpart, for example, are us g price to take on the £29 (\$46) Scotland-London return, £5 lower than the previous cheapest return and priced to compete with the £29 single fare on offer from EasyJet, a cut-price airline that flies to and from Luton near

Improvements are being reducing their workforces while ellers. Trains will run through pushed through in the freight paying more to the people they

tish Railway, the US-owned heavy freight company, took just three days to arrange to ship 4,000 tonnes of piping from a Leicestershire company to Plymouth - a speed of response impossible under BR. It also regained a customer who had last used rail 20 years before.

sector too. English Weish & Scot-

These long-awaited improvebehind the scenes, the airlines. The companies offer a privatised operators are implementing changes which BR found too difficult to handle as a stateowned company.

Using skills learned in their own industry, the bus companies are negotiating new wage deals with their employees. They are

continue to employ. Drivers, for example, have had big wage rises, but restrictive work practices are being rooted out and overali wages bills have failen. Great Western can now run its express trains at speeds above 180km/h without the need for a second driver in the cab. Freightliner can run its container trains from Southampton to Leeds with just one driver instead of a crew

of four. If this all works, it could eventually be good for UK taxpayers too. The immediate effect of privatisation was to increase the annual level of subsidy by £700m to more than £2bn, but over the life of the passenger franchises, subsidies are set to decline; in some cases franchisees will have to pay a fee for the right to run

services. Investors have already done well by privatisation. The shares of Prism Rail, the owner of three franchises, have quadrupled in value since its listing on London's junior Alternative Investment Market in May. Railtrack, whose flotation was structured to give generous early incentives to investors, has gone from a partlypaid issue price of £2 to around

"It was an enormous challenge to create a structure that makes commercial sense and will deliver good businesses to potential buyers," says Mr Salmon. "I think we have done that and we have done it at the top end of expectations.

The many critics of rail privatisation, however, remain unconvinced that the new structure is an improvement. They dismiss the new train liveries, spruced up staff uniforms and corporate logos of the private operators as cosmetic changes.

"The train operators are bringing in new ideas when it affects what happens on their own turf," says Mr Stephen Joseph, director of Transport 2000, a public transport lobby group critical of privatisation. "But we are con-cerned about services which are not operator specific or which don't give a quick payback - like the national marketing of rail tickets or putting staff on sta-

"Privatisation has happened at a time when the economy is improving and when the weather ments have become possible has been kind. I will believe in it when I see it working in th depths of winter in a recession.

The new owners of Britain's rail network are making improvements that eluded BR managers. The cumulative effect could be a much better, more flexible railway. But public perceptions will be slow to change and it will be a long haul before the average pas-

## Predatory bus companies board the trains

Rail privatisation came at the right time for Britain's bus managers. Ten years after the deregulation of their industry, they used the experience gained in buying their own businesses to seize a large share of the rail market.

Rus companies have bought nine of the 13 rail franchises sold so far. Most British Rail managers, initially regarded as the only people qualified or willing to bid, have been swept aside;

that the managers who won control of the London Tilbury & Southend franchise, one of the first to be sold, were later disqualified after the discovery of ticketing irregularities.

Despite the government's attempts to create a railway structure in which operations do not require large amounts of capital - trains are leased and track is rented - the bus companies' deeper pockets have allowed them to prevail over they were not helped by the fact their rivals. "We have a good

understanding of how to price risk and we can price our bids accordingly," says Mr Trevor Smallwood, a veteran of the buy-out of the Bristol-based Badgerline bus company, now part of FirstBus where Mr Smallwood is chairman. "We have the experience of the privatisation of our own industry."

The arrival of the bus companies on the rail market has brought some robust, not to say buccaneering, individuals into the railway industry.

Mr Brian Souter, co-founder and chairman of Stagecoach, has built Britain's largest bus group with a policy of aggressive expansion. "We believe we can translate to rail the techniques we applied in the bus industry to cut overheads, improve productivity and make the business more customer-oriented," says Mr Souter. "But we also need to introduce a can-do mentality on

the revenue side." With 12 passenger franchises remaining to be sold, unsuccessful bidders such as GB Rail, a group of rail managers and consultants, and Mr Richard Branson's Virgin group are desperate to gain a footbold in the industry. But the bus companies which have already been successful are keen to broaden their rail portfolios so as to spread their head office costs more widely. Aspiring train operators and those which have already won a place on the footplate can be expected to fight hard for the franchises still to be sold.

## BSERVE

#### Cuccia's discretion

The secretive habits of Enrico Cuccia, the veteran head of Mediobanca, Italy's most influential merchant bank, are of course legendary.

But even he has surprised the business and political establishment by the veil of discretion be had managed to draw around the recent death of his wife, who went by the remarkable names of idea Nuovo Socialista.

Although she actually died on October 12, news of the event has only recently leaked out by chance.

The lack of the customary formal announcement or funeral notice has caused considerable confusion among those, including the government, who felt the need to offer their condolences to the 88-year-old banker who has played such a powerful behind the scenes role in postwar Italy.

His wife came from an illustrious stable. Her father Alberto Beneduce founded of IRL the state holding company, during the 1930s. He managed to retain his anti-fascist credentials while enjoying the confidence of Il Duce.

He named his two other daughters Vittoria Proletaria and Italia Libera.

She met Cuccia while he was on secondment from the Bank of Italy to IRI, and they married in In a gossip-ridden society, they

strict privacy. The rule appears to have extended to her death, leading some observers to wonder what will happen when Cuccia himself

insisted - successfully - on

#### Long goodbye No secrecy, however, when

eventually succumbs.

the sun set unexpectedly yesterday on a French institution. Madame Germaine Soleil, the astrologer, has died at the age of 86.

Her name entered into the language when President Georges Pompidou once eluded a journalist's question with the retort that he was not Madame Soleil Soleil - seemingly her real name - felicitously combined

the very French characteristics of a superstitious nature and an ability to adapt to technological progress. She exchanged her crystal ball for a microphone in 1970, when she launched a quarter of a

century of regular radio hroadcasts. Then, since "retiring" at the age of 80, she had been offering electronic advice through the Minitel phone information

Presumably she would have launched a page on the internet had she not been rudely surprised by the Grim Reaper.

#### Cheque it out

■ Deutsche Morgan Grenfell's ability to inflate the salaries of investment bankers around the globe cannot endure indefinitely. But those who have failed to clamber aboard the current carousel need not necessarily despair.

Just suppose the talks between Bankgesellschaft Berlin and Norddeutsche Landesbank really do bear fruit, and the pair hook up to knock Dresdner Bank off its perch to form Germany's second largest bank.

These may be big regional players, but, to put it mildly, they do rather lack international clout.

Endless scope, then, for an even bigger and better round of outsize-ticket signings - with the added allure of a head office in party town Berlin rather than sombre Frankfurt. Can't be bad except for those who are trying to run, rather than raid,

#### Rifkind's fans

However heavily the affairs of wife can stay on the phone for 10 state weigh on the shoulders of

UK foreign secretary Malcolm Rifkind just now, the Brits in Hanoi don't give a fig.

The British Business Group, which has arranged a lunch in his honour as he swings through on an official visit next Saturday, intends to change that. Because at the moment a mere five souls have signed up for the event.

It is most probably nothing personal. Weekends are pretty sacred for many executives in Vietnam, the country that was identified earlier this year by a Hong Kong consultancy as Asia's most stressful expat posting.

But no doubt the business group honchos would prefer not to have to explain that to the foreign secretary's face when he comes visiting.

#### Beat that

Anyone who walks the streets of Paris becomes inured to sexist advertising.

But the full-page spread for Siemens mobile phones in yesterday's Le Monde newspaper was a little extreme even by local high standards.

The apparent aim of the ad was to publicise how long the gadget would work without needing to be recharged.

The slogan? "Bad news. Your

## Ginancial Lime

#### 100 years ago Newfoundland Prospects

Any possibility of improving the financial prospects of Newfoundland will be gladly bailed by the rest of the Empire. The recent discoveries of gold in the island were, therefore, a special cause of satisfaction, especially when the financial and trade benefits that have accrued to West Australia from the gold fields were borne in mind. The mining expert sent from England has concluded his examination of the gold-bearing quartz vein at Cape Boyle. So far, he states, the result is satisfactory, and the whole district being mineralised, it is well worthy of exploration.

#### 50 years ago Wall Street Sags

Wall Street stocks yesterday registered their sixth successive decline, with losses ranging to \$3 over a broad front. At the close, declines outnumbered advances by six to one, and the markets finished heavy. The depression was attribute to the break in cotton and reports that steel workers will ask for higher wages next year. Turnover was 990,000 shares, comprising 973 issues, of which 700 fell



## FINANCIAL TIMES

Tuesday October 29 1996



## Bhutto resigns finance role after IMF pressure Yeltsin

By Farhan Bokhari in Islamabad

Ms Benazir Bhutto, prime minister of Pakistan, yesterday gave up the finance portfolio, which she has held since she came to power three years ago.

The appointment of a new finance minister is seen as a move to please the International Monetary Fund, which has held back the release of a \$600m (£375m) standby loan pending firm government action. Ms Bhutto has faced growing criticism for her handling of the economy.

Also in response to IMF pressure, the government last week unveiled an emergency budget, involving austerity and tax measures to raise an extra Rs40bn (£622m) to reduce the budget deficit. In spite of the new taxes, the IMF expects the budget deficit to remain higher than the target of 4 per cent of gross domestic product. The appointment of Mr Naveed Qamar, privatisation

hoped for a more technocratic

It is not clear whether Mr Qamar's appointment would immediately improve prospects for an early deal with the IMF on resumption of disbursements from a \$600m standby loan. An IMF mission is in Islamabad this week for talks with officials on the loan. suspended in June after the government's annual budget had failed to meet IMF expec-

"The government would need to demonstrate that it can keep harsh measures on track despite public protests. The appointment of a new minister alone can be meaningless." said a western economist. Pakistani officials sent for talks with the IMF and the World Bank in Washington were also accused by western economists of "fudging num-

Qamar's promotion

disappointed analysts who had popularity continues to fall. Hours before his appointment was announced, police in Islamabad and the neighbouring city of Rawalpindi fought Islamic activists whose protests have disrupted the cities over the past two days.

Mr Mudassar Malik, director at Karachi's BMA brokerage, said: "Some kind of a revamping of the finance ministry was needed. Mr Qamar has been appointed so that the IMF can have a greater degree of trust in our economic targets."

Analysts said the absence of an independent finance minister meant vital decisions were not made for several days. 'The absence of an (indepen-

dent) finance minister had created a vacuum," said one economist vesterday. Mr Sartaj Aziz, former finance

minister and an opposition leader, said: "This has happened too late when things are so bad. I don't know if he can retrieve the situation.

## Argentine group loses out in Falklands oil bidding

By Robert Corzine in London and David Pilling in Buenos Aires

Falkland Islands government yesterday awarded permits for oil exploration in waters claimed by Argentina but rejected two bids from a consortium including the only Argentine bidder.

The Falklands government. which granted exploration licences to five groupings to explore to the north of the islands, declared the licensing round "a staggering success".

A recent seismic survey has shown large geological structures similar to those found in prolific oil regions such as the

However, a consortium led by British Gas with YPF. Argentina's largest oil concern as minority partner, emerged

empty-handed from the round. YPF's participation had been regarded as an important sym-

SA groups

between the UK and Argen- northerly and promising conflict over the Falklands in 1982. Britain and Argentina reached an understanding in September last year to permit oil exploration around the islands.

However, both governments sought yesterday to play down the rejection of the bid.

"From what we understand. there has not been any type of discrimination against YPF on nationalistic grounds, but the bids were judged on purely commercial criteria," the foreign ministry in Buenos Aires

"YPF should be able to get involved in exploration through joining a consortium that has been awarded a block," it said. It was also understood that Shell Argentina would participate in exploration of the bloc

awarded to Shell. The British Gas-YPF group bol of improving relations had bid for the two most

tina, which were involved in blocks, which were won by consortia led by Shell and Amerada Hess. However, it apparently would have explored a smaller area and would have drilled fewer wells than its competitors.

British Gas said it was "naturally disappointed" at the outcome. The company said it could not exclude the possibility that it might try to join one of the winning consortia. YPF had no comment.

Mr Andrew Gurr, chief executive of the Falkland Islands government, said the government had "struggled" with the possibility of persuading British Gas and YPF to put in a more favourable bid. But that would not have been fair to others.

The winning companies are committed to spending \$200m in exploration over the next

#### Licence awards, Page 5

## Swiss banking inquiry

Continued from Page 1

opportunities for black economic empowerment. However. Mr Beningfield ruled out any prospect of Malbak companies being sold at a discount.

Malbak yesterday announced a 26 per cent increase in net income to R643m for the year ended August 31. Turnover was 14 per cent higher at

The target date for comple tion of the unbundling is the end of March 1997.

**Europe today** Most of north-west Europe will be unsettled and windy. The North Sea is expected to have gale force winds. The Benelux and northern France will have showers. Southern Scandinavia, Germany, and the western Alps will have rain. Poland, the Czech Republic and western Russia will be cloudy with patchy rain. The UK will be calm and mainly dry with some sunny periods. Southern Portugal

and Spain will be sunny. Eastern Europe will be cool. Greece and most of Turkey

should have some sun.

Five-day forecast

Portugal will be sunny.

in the south-east.

The UK and north-western

Europe will be cooler with

changeable conditions and gusty winds. Italy, Spain and

Eastern Europe will be cool

with unsettled conditions in the north and some sunshine

**TODAY'S TEMPERATURES** 

Continued from Page 1 subsequently; the banks' practices with respect to the retention and destruction of

and other record keeping". Moreover, they will examine the payment of interest to. from, those dormant accounts. The memo hints that banks which failed in their legal or fiduciary duties, or which

records including account

opening, closing, transactional

mant accounts, could be subject to disciplinary action by the Swiss government. The banks will not be allowed to pass to the auditors information concerning the identity of depositors seized by Poland's post-war government.

The Swiss government and its banking industry have been stung by documents recently uncovered which suggest that the banks handed over only a fraction of the assets of largely Jewish depositors killed during the war.

## New health fears as suspends meetings

By Chrystia Freeland in Moscow

Russian President Boris Yeltsin yesterday cancelled all this week's planned meetings to undergo medical tests, renewing speculation about his condition.

Doctors and political analysts said the sudden announcement probably signalled either a sharp deterio-ration in the Russian leader's condition or a decision to perform heart bypass surgery earlier than planned

Officially, the Kremlin said the president's work schedule had been cleared to allow doctors to do the tests needed in the "final stage" of Mr Yelt-

sin's preparation for surgery. "Planned preparations for heart surgery have entered the final stage and the president will undergo a whole series of medical tests under a special regime in the next few days," Mr Sergei Yastrzhembsky, the Kremlin press secre-

Mr Yastrzhembsky said no date for the operation, tentatively expected in the second half of November, had been set. "There are no grounds to expect the operation will take place this week," he said.

Dr Mikhail Alshybaya, a Moscow cardiologist, said the announcement could mean only one of three things: First, it could mean that his condition has seriously deteriorated. Secondly, it could mean they are going to perform another coronography (a two-day investigation of heart activity), because that is the only test which would require the meetings to be cancelled. Or, thirdly, it could mean that they will now conduct the operation, but will not tell

anvone about it." Mr Sergei Markov, a political scientist at Moscow State University, said the most likely reason for the isolation of the president was a serious decline in his condition.

On the Russian markets, the news was overshadowed by reports that more government bonds had been suspended.

Several investors said \$56.8m worth of bonds had been frozen either yesterday or Friday, following the suspension of \$100m of bonds earlier this year.

The reports pushed the fifth tranche of the dollar-denominated bonds down to 38.25 cents on the dollar, from an

opening price of 39.25 cents. Investors said they had received no official confirmation of the suspension, but a Moscow banker said he learned of the move in a statement yesterday from Vneshtorgbank, the custodian.

Corporate tax debtors, Page 2

and the collection of charges tried to hide evidence of dor-

# FF-WEATHER GUIDE

Lufthansa

G Caracas
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Chleago
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Daikar
Dailas
Delhi
Dubel
Dublin
Dubrovnik
Edinburgh No other airline flies to more cities in Eastern Europe.

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Cold front A Wind speed in KPH

Sun 16 rain 17 rain 8

THE LEX COLUMN

## Germany gears up

Corporate Germany has been lobbying for the legalisation of share buy-backs for years. But yesterday's Justice Ministry promise to change the rules by early 1998 is the government's first public acknowledgement that it is listening.

The change would be good news for investors. According to J.P. Morgan, 52 European companies - mainly British - have announced buy-backs of \$50m or more since 1990; on average, their shares have outperformed their respective markets by 15 per cent in the subsequent five months. Buy-backs do not make sense for every company. But those with strong cash generation, few acquisition opportunities and low organic growth need to think about them. Companies whose cost of equity is higher than their cost of debt should even consider borrowing to retire expensive

Several German groups fit the bill. Utilities such as RWE and Veba are good cash generators and have high costs of equity. Financial groups such as Deutsche Bank and Allianz are cash-rich and claim to be committed to shareholder value. That is also true of the big chemical stocks - indeed, Mr Helmut Loehr, Bayer's finance director, has been spearheading the campaign to get buy-backs legalised.

The German plan is not perfect. Repurchases will be restricted to 10 per cent of capital and their tax treatment remains unclear. But the mere fact that Germany is promising to liberalise its rules is positive and will put pressure on the rest of Europe to follow suit.

#### German banking

Germany is hugely overbanked. On the surface therefore, the idea of merging two inefficient regional banks into a bigger, meaner power-house, able to punch its weight in Europe, makes a lot of sense. Were Bankgesellschaft Berlin (BBG) to marry Norddeutsche Landesbank (NordLB) - as yet the two are too shy to admit to anything but holding hands - it would create the country's second-largest bank, with total assets of more than DM500bn.

But bigger does not mean better in this case. There is no geographical overlap; the two have already combined their mortgage subsidiaries and their project finance teams; and they already use the same computer systems. A merger would thus produce practically no



BBG have much to teach publiclyowned NordLB. As its share price testifies, BBG is suffering from high bad debts and rising costs - partly the aftershocks of its own creation from three separate Berlin-based banks several years ago. BBG's return on equity was 5.6 per cent in 1995 and this year it will be lower. The only thing a merger would increase are the enlarged bank's international ambitions. Each potential partner has ambitions to build up its investment

banking presence in London. The real proponent of this merger appears to be the state of Lower Saxony, which has 37 per cent of NordLB and wants to extract cash to ameliorate its own budgetary problems. As these two banks lumber towards an embrace, outside investors should get out of the way.

#### Alliance & Leicester

Doubtless Alliance & Leicester borrowers and savers are rubbing their hands with glee at the prospect of a £1,000 (\$1,600) windfall when the building society becomes a bank. But in truth, they are getting less than they should. To see why, compare A&L's plans with those announced by Halifax last week. Ingeniously, Halifax is converting by transferring its business into an existing subsidiary. This will avoid having to tie up capital unnecessarily in a so-called "priority liquidation distribution right" (PLDR), a rather eccentric legislative requirement. It will also avoid the five-year takeover protection most converting societies enjoy. A&L should be following Hali-

fax's lead. Already the building cost savings. Nor does the private society with the highest total sol-

vency ratio in the sector, Add the choice of conversion route pars it is the ridiculous situation of having raised even more capital - £200m in the subordinated debt - purely to have subordinated debt - purely to have 2600m to commit to the PLDR 70 the only reason for going through this unnecessary process is to and losing takeover protection. The may be good news for the many ment, but for members it is it opposite. Not only would allow in bids be good for the share pring ditching the PLDR scheme work also make available surplus capi of something like £400m - £170 more a head - which could handed back to members. At the very least, they should be offer the choice.

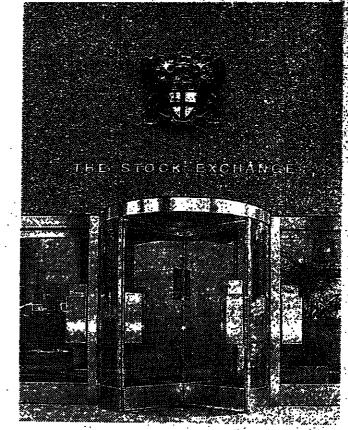
#### Northern Electric

At first glance, CalEnergy assault on Northern Electric look less silly than many previous to bids in Britain's power sector Whereas other US bidders have often appeared solely driven by the mistaken belief that the targets were cheap. Calknergy is at least able to articulate a strategic ranas a generator it wants expertise in . distribution where it has ambition elsewhere in the world. Moreows as a multiple of cashflow, its offer a below the average take out price b. the sector.

Yet these comforting thought are deceptive. For a start, howe much CalEnergy wants expertis 1951m is a lot to pay for it. hiring few individuals would surely be better solution. And sadly, a below average multiple looks appropriate given Northern's over-exposure a the supply business where margin face serious threat. Attempts h value Northern on fundamental often have difficulty stretching much above £520m or so.

It follows that Northern will no find this bld easy to fight. Its locker, though probably not one pletely bare, was badly depleted by the Trafalgar House battle and although a white knight bid from another British power company could make plenty of sense, getting government approval after Friday's decision on water mergers would be tricky in short, it is hard to see any compelling reason why CalEnergy should need to raise its bid. With the states buding at 18p above the CalEnergy offer price, shareholders should seriously consider selling in the market

Lex comment on Represed, Page 1



## OPENING DOORS to success

There is no greater endorsement of a successful management team than a public flotation. CVC deals have an enviable record in this respect. To date more than 30 have gone public with a combined value in excess of £4 billion. Recent flotations such as Belhaven Brewery Group PLC, Brunner Mond PLC, Toolex Alpha, and Victrex PLC confirm the continuing success of CVC-backed managers.

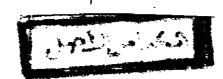
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## **FINANCIAL TIMES COMPANIES & MARKETS**

Tuesday October 29 1996 THE FINANCIAL TIMES LIMITED 1996

"Remind yourself daily that a cheerful disposition invites success." KAZUO INAMORI, founder of Kyocera

#### IN BRIEF

## France Télécom set to pay FFr1bn

France Télécom looks set to pay out more than FFribn (\$194m) in dividends to private investors m its first year as a publicly quoted company. Michel Bon, chairman, said the company's overall dividend payout after next year's planned partial privatisation was likely to be about 45 per cent of net profits. Page 19

Henkel bids \$1.1bn for Loctite control Henkel, a German chemicals concern, revealed an unusual bid for control of a US corporation with the disclosure that it had offered DM1.7bn (\$1.1bn) for the 65 per cent of Loctite it does not already own. Page 20

Singapore Airlines down 11% halfway Singapore Airlines amounced disappointing first-half earnings, with operating profits down 11.4 per cent as it suffered from escalating fuel prices, the strong Singapore dollar and a soft cargo market. Page 21

UniChem makes cost cuts piedge UniChem said it was confident of beating the "conservative" synergy savings of £20m a year should its 2641m (\$1bn) bid for Lloyds Chemists. the high street retailer, be successful. Page 24

TI faces Forsheda opposition Disgruntled investors in Forsheda, the Swedish polymer engineering company, raised the stakes in their opposition to the proposed £189m (\$295m) takeover by the UK's TI Group by claiming that shareholders regarded the offer as inadequate. Page 24

Gemms profitability 'highly variable' The performances of some gilt-edged marketmakers - the official dealers in UK government debt - strengthened in 1995, against the previous year, their latest profit-and-loss accounts show. The Gemms posted heavy losses in 1994, and the latest figures show their profitability as highly variable. Results ranged from a pre-tax profit of £28.9m to a loss of £9.9m. Page 26

Liffe may take on olive oil futures Olive oil futures are among new products being considered by the London International Financial Futures and Options Exchange for its newly acquired commodities section. Page 28

22 Lloyds Chemists

18 Mafbak

19 Memii Lynch

18 Nippon T&T

26 Northern Electric

18 Pacific Concord

19 Shanori-La Hotel

24 Singapore Airlines

22,11 Standard Chartered

19 Traders Square

20 UK Active Value

21 Unit Trust of India

4 Sierra Rutile

20 Microsoft

22 Nocil

22 Nord/LB

22 NordLB

26 Pilkington

18 PolyGram

20 Randgold

4 Santam

22 TI

20 TVX Gold

26 Toyota

22 UBS

26 UniChem

20 Volkswagen

24 Warner Music

#### Companies in this issue

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ABN Amro	
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World Stock Markets

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## Philip Morris set for Tabaqueira victory

Lisbon poised to back \$215m bid for state group

Portugal's Socialist government is this week almost certain to approve an Es33.15bn (\$215.7m) bid led by Philip Morris, the US cigarette maker, for 65 per cent of Tabaqueira, the state-owned Portu-

guese tobacco company. A government panel has ranked proposals from Philip Morris and its Portuguese part-ner, the Jorge de Mello group, ahead of competing bids by Seita, the French tobacco company, and a consortium led by Tabacalera, the Spanish group.

Tabacalera, allied with Empresa Madeirense de Tabacos, a Portuguese company,

was ranked last, even though invest Es7.7bn and thereby believes it can increase Tabait bid 10 per cent more than Philip Morris for the 6.5m shares on offer. It bid Es5,610 a share against Es5,100 by Philip

Morris. Seita, at Es4,800 a share, was rated second. The government is widely expected to follow the recommendation and sell the Tabaqueira holding to Philip Morris. It is due to announce its decision after a cabinet meeting tomorrow or Thursday.

Analysts yesterday said the decision was based largely on a Philip Morris proposal to

almost double Tabaqueira's production over the next five years from 11bn cigarettes a year to 21bn.

Philip Morris says it will immediately transfer production of 4bn cigarettes a year to Tabaqueira from plants in the Netherlands and Germany, and by 2001 plans to increase production by a further 6bn a year through investment in new capacity.

There are currently about 16bn cigarettes sold annually in Portugal. Philip Morris

queira's domestic sales from 11 bn to 15bn cigarettes a year, and export a further 6hn.

Tabacalera's proposal was to

invest Es4.3bn without substantially increasing the level of production. Seita planned to reduce pro-

duction to 9.5bn cigarettes a Philip Morris also proposes

to sell Tabaqueira's controlling stake in Portugal's leading tobacco distribution company and its holdings in big tobacco wholesalers, the group said

yesterday. The aim is to liberalise Portugal's tobacco market, where competitors have accused Tabaqueira of unfairly dominating distribution to its

advantage. Tabaqueira also owns 49 per cent of Nutrinveste, one of Portugal's leading producers of cooking oil, fruit juice, pasta Jorge de Mello group, partner in the Philip Morris bid, holds

the other 51 per cent. If the government approves the Philip Morris bid, the group plans to invest Es8bn in its original plan.

Nutrinveste, which has an annual turnover of Es55bn. This compares with annual sales of Es31bn for Tabaqueira, which does not include the high level of tax levied on tobacco in Portugal.

Tabacalera had offered to acquire 100 per cent of Tabaqueira immediately, rather than wait two or three years to privatise the remainder, as the government envisages.

The aim was subsequently to and other foods, while the float 49 per cent on the stock market.

> Philip Morris says the value of the stock will increase and the state will raise more revenue if the government keeps to

## Citibank plans ATM link-up with Japan post office

By William Dawkins in Tokyo

Japan's posts and telecommunications ministry has agreed in principle to allow Citibank of the US to link up with nearly 23,000 automated teller machines operated by post offices across Japan from early 1998.

The deal would give Citibank in Japan the largest domestic ATM network in the world, with access to 85,000 machines, the bank said. Citibank, which in the 1980s became the first bank in Japan to open 24-hour ATMs, has 72 ATMs of its own there, plus access to the 62,000 owned by Japanese banks.

The link would allow Citibank customers to deposit and withdraw funds and check account balances at post office ATMs, and allow post office savers to do the same at Citibank terminals.

It would be the first alliance hetween the Japanese pos office and a private-sector bank and the latest example of a new openness towards some deregulation by Japan's formerly conservative bureaucracy. Mr Michael Knapp, Citibank's Japanese consumer business manager, said the ministry had welcomed the bank's approach. The accord, however, could

21

20

meet resistance from the powerful finance ministry, aware of Japanese banks' sensitivity to competition in the domestic market. An official at the ministry's postal savings bureau yesterday said the ministry accepted the accord because it would allow the post office to offer access to its savings accounts through Citibank's foreign operations. The Japa-nese post office is the largest savings bank in the world. with deposits of Y220,100bn (\$49.5m) at the end of August.

The agreement awaits funding from next year's state budget, in which the posts ministry has asked for YLSbn to pay for a link-up with the private sector. Japanese stockbrokers are negotiating a similar link-up alongside Citibank which would allow post office customers to buy and sell shares, said ministry officials.

The posts ministry had approached Japanese banks for an ATM link, but had failed to get an agreement, possibly a reflection of Japanese banks' long-standing complaints against unfair competition from the postal savings system. It offers higher rates on deposits - currently 1.1 per cent - than the private sector, due to a combination of government subsidy and regulation. Private-sector banks argue that they should have equal access with the post office to Japan's vast pool

of savings. In a separate move, Citibank yesterday announced that it would reimburse customers for fees incurred on a limited number of ATM transactions made via other Japanese banks' terminals. It is the first offer of its kind in Japanese retail banking.

The agreement with the postal savings bureau is the second instance in the past two weeks of the bureaucracy's new willingness to allow a measure of deregulation in hitherto tightly controlled markets. It follows the transport ministry's announcement that it would welcome applications for domestic air route TEX - EX CHOIS for domestic travel agency planning to found the first new airline in more than



Meeting investors: Deutsche Telekom chairman Ron Sommer in London yesterday

## Telekom plans to cut debt to DM65bn in three years

By Nicholas Denton in London

Mr Ron Sommer, chairman of Deutsche Telekom, yesterday told international investors that the company's priority would be the reduction of its debt to DM65bn (\$43bn) by 2000, even if that meant forsaking some opportunities for international expansion. As the roadshow

Europe's largest privatisation moved to the City of London, Mr Sommer said Deutsche Telekom, with its Global One alliance with France Telecom and Sprint in place, was under no pressure to make acquisi-

"When it comes to international investment, our blood pressure is very low," Mr Sommer said in an interview before meeting UK investors. We will only do it if it makes financial and strategic sense, and creates value for our shareholders."

one of three global co-ordinators of the DM12.5bn-DM15bn it began to market itself to privatisation issue, after the German bank issued derivatives based on the securities without obtaining approval

from Deutsche Telekom. Deutsche Telekom said the warrants - which carried the right but not the obligation to buy Telekom shares when they are issued - had been withdrawn. "It is a very complicated IPO and we understand that it is sometimes complicated for the banks," said Mr

Deutsche Telekom, which had individual meetings yesterday with UK institutions including Mercury Asset Management and Gartmore, is attempting to convince potential shareholders that it will no longer seek expansion and technological development for their own sake.

Advisers to Deutsche Telekom said the management's Mr Sommer issued a light expansionist inclination had reprimand to Deutsche Bank, moderated in the four months

# leading up to the roadshow, as

However, it is understood that Deutsche Telekom is still looking at possible acquisitions of telecommunications companies in emerging markets. It has not ruled out an acquisition in the fast-consolidating UK cable sector.

It is also watching closely

the Italian and Spanish mar-

## CalEnergy bids \$1.2bn for UK power group By Simon Holberton in London

Northern Electric, the UK electricity supplier, yesterday faced its second hostile bid in two years as CalEnergy, an independent US power producer, launched a £766m (\$1.2bn) offer.

CalEnergy also scooped up 12.88m Northern shares, a stake of nearly 13 per cent, at its offer price of 630p a share, in one of the most successful dawn raids yet on an electricity company. Analysts said this suggested Northern might have a tougher time fighting off this bid than that by Trafalgar House, the UK property and construction company, in late 1994 and early 1995.

If successful, Northern would become the UK's fourth regional electricity company to fall into US hands – giving US groups nearly 30 per cent of the electricity market in England and Wales, measured in customer numbers. Northern's board said the offer was not to sell.

The offer values Northern's ordinary equity at £651m. A separate offer for the company's preference shares at 103p would cost another £115m. Northern's shares closed at 648p - 18p above the offer and well above Friday's close of

The two sides traded claim and counter claim following Northern's statement that Cal-Energy had at the weekend

CalEnergy denied it had ever talked about such an offer. Northern successfully fought off Trafalgar House's hostile bid by adopting a 'shareholder value' strategy which included special dividends and the issue of preference shares.

Some analysts said yesterday that CalEnergy's bid represented a fair valuation for Northern Electric and the success of the dawn raid underlined the willingness of UK institutions to quit the utilities sector when offered cash.

The sector faced an uncertain short-term future, with a capricious regulatory framework and the Labour party's promised windfall tax on privatised utilities seen to have made excessive profits.

These concerns, however were not shared by CalEnergy, which is advised by CS First Boston. Mr David L. Sokol, CalEnergy chairman and chief executive, said it had taken a possible windfall tax into account in planning its bid

Analysts thought it unlikely a "white knight" counter bidder would appear.

CalEnergy has total assets of \$3.5bn. In the year to Septemher it had turnover of \$480.4m and profits of \$83.8m. It owns, or has under con-

struction, 3,000MW of power stations. Its US assets are in California, New York and Texas; abroad it has investments in the Philippines and Indonesia. Lex. Page 16

## Air France may bid for domestic rival

By David Owen in Paris

AOM, its domestic rival, as it seeks to stave off a challenge from British Airways ahead of next year's liberalisation of the French air transport market.

Mr Christian Blanc, Air France chairman, said in an interview with Le Provençal, a Marseilles newspaper, that the state-owned carrier would certainly look into the question" of AOM, which has about 12 per cent of the domestic

French market. His comments come as British Airways appears on course to strengthen its position in France by winning control of Air Liberté, the troubled private carrier.

Success for BA's offer to inject FFr630m (\$124.3m) into Air Liberté in partnership with Groupe Rivaud, a French banking group, would enable the UK carrier to run Air Liberté in tandem with TAT, its existing French airline, and would give it a 20 per cent share of the French domestic market. A decision on the BA/ Groupe Rivaud offer could come as soon as this week. In a foretaste of the rivalry

likely to flare between the two heavyweights if BA succeeds in strengthening its French Air France yesterday hinted in strengthening its French that it might launch a bid for toe-hold. Mr Blanc also used yesterday's interview to criticise the UK company. He said it was not "with joy

that the group is seeing British Airways arrive as the second operator in France", and warned that the situation could "cost French air transport very dear in the next few years". He urged readers to "note that British Airways has never bought a single Airbus". In remarks coinciding with

Air France's launch yesterday of a service between Parls and the southern French cities of Nice, Marseilles and Toulouse. Mr Blanc said AOM would face a "positioning problem between our group and the TAT-Air Liberté grouping".

But he appeared to acknowledge that European Commission conditions attached to a FFr20bn aid package authorised in 1994 in effect ruled out an Air France bid for the company until next year.

His comments came less than a week after Nouvelles Frontières, a travel group which recently withdrew from bidding for Air Liberté, said it talked of an offer at "around

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Canal Plus signs

MCA film contract

Canal Plus, the French pay TV group, yesterday said it had signed a contract with MCA, the US television and

entertainments group, for the exclusive rights to show

MCA films in France on both its terrestrial and digital

centre of competition between competing European

Canal Plus will have sole access for pay-TV to the

films as Waterworld, Babe, Apollo 13 and Back to the

service, offering action, adventure and mystery films,

Universal material such as Columbo and The A-Term.

but said it had cost no more than its existing annual

expenditure on film rights from MCA. In July, RTL and

Kirch, the German media groups, each paid more than

television and television business development at MCA,

said initial indications showed the Canal Plus service

would be "the long-term leader and winner in the

DM2.25bn (\$1.5bn) for separate film rights from MCA.

Mr Blake Westlake, president of Universal pay

using French and European productions as well as

satellite and cable television services.

satellite services. The five-year agreement is an important

step in the battle for broadcasting rights, which is at the

Universal Pictures' catalogue, which includes such recent

Future, as well as such classics at Vertigo and Psycho. It

will also launch a Universal channel as part of its satellite

Canal Plus would not disclose the value of the contract,

## German banks move towards consolidation

schaft Berlin or Norddeutsche Landesbank like to hear in connection with their ongoing series of talks. Instead both refer to talks about developing concepts for closer co-operation.

But whatever the terminology, the fact is that the regular series of meetings between the two institutions their banking habits in which have been going on for the past two years are indicative of a trend towards concentration within the German banking sector.

"The fact is that Germany is over-banked. There are far too many institutions, some 3,600 in all. There will have to be mergers," says Ms Sabine Bohn, an analyst at is forcing banks towards Schröder Münchmeyer Hengst in Frankfurt.

A prime motivation to merge is the need to reduce costs through economies of scale. "You need scale to invest in technology and to keep distribution costs down," explains Mr Neil Crowder, a German banking analyst at Goldman Sachs in

London. German banks - especially the regionally-rooted co-operative and savings banks but also those in the private sector - are considered inefficient. Dense branch networks with a large infra- allows it some form of structure have led to over-staffing. As distribution drifts away from branches towards direct banking via have already merged their telephone, margins are operations. This summer the increasingly under pressure. Germany's banks have

erger is not a word tion per branch is just 1,633, either Bankgesell- against 3.230 in the UK. according to London-based brokers James Capel. The average cost income ratio is 67.5, compared with 62.1 in the UK and 52.2 in Sweden.

There is also pressure from customers. Germany's medium-sized companies, known collectively as the Mittelstand, have changed recent years.

Whereas in the past a company typically had a local "Hausbank" which serviced all its needs, now companies are starting to shop around, not only within Germany but also abroad.

It is not just the wider availability of capital which consolidation. German companies are investing abroad more and in doing so require a different level of know-how from their banks. "This level of expertise is not available at every savings bank. But the customer demands it," says Ms Bohn.

Against this backdrop, a coming together of Bankge-sellschaft Berlin and NordLB appears a neat fit. Geographically they would make a strong north German bank, particularly if NordLB's talks with the Hamburg senate, the city's government. involvement with the Hamburger Landesbank.

In some areas the two mortgage banks were brought together into the Top 10 German banks Tier one capital 1994 Quoted bank 400. andeshank Quoted bank 1.7 Bayerische Hypobank Quoted bank 1.1 Kreditanstalt für Wiederaufbau Special purpose bank 246 Bankgesellschaft Berlin 8.1 243 0.7 Quoted bank Bayerische Vereinsbank Quoted bank 7.8 1.1 Bayerische Landesbank Landesbank 5.7 266 0.5 Landesbank Norddeutsche Landesbank

thekenbank, or Berlin Hyp. Then there is a joint-venture in electronic data processing - the BHS Berliner

Hannoversche Softwareen-

twicklungsgesellschaft which brings together many of the two banks' back office operations. Both have also set up a jointly-owned con-

sultancy subsidiary called Kommunalconsult specialising in project financing for the public sector and privati-

Bankgesellschaft's ongoing search for a London-based investment house could be bolstered by the backing of Nord/LB which has also established a noticeable presence outside Germany.

s such it seems that, despite the continuing denials from both banks, a move to a merger is already under way. Analysts see one scenario in which NordLB is brought into the Bankgesellschaft holding

How quickly this can happen, remains to be seen. A merger would require the agreement of four state governments - the city of Berlin, Lower Saxony, Mecklenburg-Vorpommern and Saxony- Anhalt - which are shareholders in NordLB.

Another unknown is the position of Bankgesellschaft's non-governmental shareholders, notably Gothaer Beteiligungsgesells-chaft, the investment wing of the Gotha Versicherung insurance group with 10 per cent, which might be faced with a dilution of their

Furthermore, Bankgesellschaft is still coping with the costs of its consolidation which came about two years ago with the merger of three of Berlin's municipal and private sector banks. Consolidation costs were cited as the principal cause for a 39 per cent plunge in profits in the first half of 1996.

Frederick Stüdemann

market was not as mature as in the

US, and was set to continue

expanding. However, he said Auto-

liv was experiencing price pres-

sure, which would take some of the

The company said it had started

deliveries of side-impact airbags to

Volkswagen and Audi, the German

car makers and Autoliv's second

and third customers after Volvo of

**Euro Disney shares jump** 

marketplace."

Shares in Euro Disney, the Paris-based theme park, jumped 3.43 per cent yesterday to FFr10.55 after a French government official claimed the number of people visiting the attraction rose 10 per cent in the year to the end of September to 11.8m. The figures, given by Mr Claude Villain, the civil servant responsible for monitoring the park, were dismissed later in the day by Euro Disney. It said the definitive entrance numbers would be published in its full-year results next month.

#### Funds buy 25% of Star Foods

Advent International's Central European Private Equity Fund, a venture capital investment fund, has led a group of investors in taking a 25 per cent stake worth \$8m in Star Foods, a Greek-owned snack-foods producer and distributor in Poland. Star Foods is one of the most successful foreign-owned operations in Poland. It is owned by the Mitzalis family, which has built similar businesses in Bulgaria and Romania. The investment by Advent and its partners - which include Copernicus, a Polish based investment fund, Jupiter Asset Management and Pioneer, a US mutual fund - values Star Foods at Christopher Bobinski, Warsaw

#### Trading in MHB suspended

Hungary's securities commission has suspended over-the-counter trading in Magyar Hitel Bank, the country's fifth-largest bank, following a sharp increase in the stock's price last week. The rise followed newspaper reports that Austria's Creditanstalt and ABN Amro, the Dutch bank, had bid for the bank, which is being privatised. The two banks have entered a closed tender for an 89 per cent stake in MHB, which had assets totalling Ft260bn (\$1.7bn) at the end of last year. Virginia Marsh, Budapes

## Autoliv posts 14% advance at nine-month stage

By Greg McIvor in Stockholm

Profits at Sweden's Autoliv, which is to merge with the car safety business of Morton International of the US to form the world's largest car airbag and seat belt supplier, rose 14 per cent in the first nine

Robust sales growth in key markets helped push pre-tax profits from SKr758m to SKr863m (\$131m), strongly ahead of a 2 per cent increase in European light vehicle production - Autoliv's most important market.

Sales rose from SKr7.8bn to with Morton were progressing well SKr8.6bn. They were hit by a 10 per cent adverse currency effect, but this was largely balanced by a 9 per cent increase in revenue arising from acquisitions. Earnings per share rose from SKr8.70 to

The figures were in line with analysts' predictions. However, Autoliv shares fell sharply after the report before rallying to close up SKr2.50 at SKr286.50 on

Mr Paul Charlety, chief executive, said the merger preparations

and expressed confidence the deal would receive shareholder backing. Autoliv shares have been steady since climbing 13 per cent immediately after the merger deal was unveiled late last month.

This is despite Autoliv's forecast of little short-term earnings

The two companies have signed a letter of intent and Autoliv said a definitive agreement would be reached next month, with a prospectus to follow in the spring. Autoliv's strongest nine-month

operations, where sales progressed from SKr4.1bn to SKr4.6bn, or 11 per cent adjusted for exchange rate effects and acquisitions. The company ascribed the

growth was in its seat belts

increase to the successful launch of belt systems with so-called pre-tensioners, which are said to reduce the risk of injury in event of acci-

Turnover in airbags and steering wheels grew 8 per cent, from SKr3.7bn to SKr4bn, or 11 per cent fully adjusted. Mr Charlety said the European

Sweden.

edge off growth.

It has also begun supplies to Nissan Diesel and Isuzu, the Japanese truck makers - again its second and third customers after Volvo.

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GEICO .	Sale of remaining 49% of company to Berkshire Hathaway	2,300,000,000
First Colony	Sale of company to GE Capital*	1,800,000,000
Metra Health	Sale of company to United Healthcare	1,650,000,000
General Re	Acquisition of National Re*	1,150,000,000
The New England Companies	Merger with Met Life	1,050,000,000
AON	Divestiture of Life Insurance Company of Virginia to GE Capital	960,000,000
Emphesys Financial	Sale of company to Humana	640,000,000
<b>Household International</b>	Divestiture of Alexander Hamilton Life to Jefferson Pilot	575,000,000
AON	Divestiture of Union Fidelity to GE Capital	420,000,000
Mass Mutual	Sale of Group Life and Health business to WellPoint	380,000,000
Marsh & McLennan	Divestiture of the Frizzell Group to Liverpool Victoria Friendly Society	300,000,000
Sammons (Midland National)	Acquisition of NACOLAH Holding Corp.	235,000,000
Skandia AB	Divestiture of Skandia America to Fairfax Financial	230,000,000
UNUM	Divestiture of their Tax Sheltered Annuity Business to Lincoln National	210,000,000
Alistate	Divestiture of Domestic Reinsurance operations to SCOR US	Not Disclosed
American International Group	Acquisition of SPC Credit Ltd. from Bank America	Not Disclosed
ING Insurance N.V.	Arranger of Debt Issuance Program	1,000,000,000
Travelers/Aetna P&C	Initial Public Offering	885,000,000
IPC Holdings, Ltd.	Initial Public Offering	297,500,000

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11.65 11.775 11.735 11.55 11.55 11.55 11.55 11.55 11.73 11.75 11.7

Advent International GLOBAL PRIVATE EQUITY COPERNICUS CAPITAL MANAGEMENT Sp. z o. o PIONEER POLAND FUND has acquired a 25% shareholding in SAGAGROVE Ltd holding company of

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USD 100,000,000 KANSALLIS OSAKE PANKKI Subordinated Floating Rate Notes due July 1997

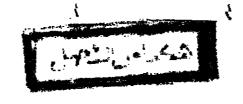
Interest Period October 28, 1996 January 28, 1997 Interest Amount due on January 28, 1997 per

BANQUE GÉNÉRALE DU LUXEMBOURG Agent Bank

U.S. \$75,000,000 CREDITANSTALT

NOTICE OF REDEMPTION MORTGAGE SECURITIES (NO.3) PLC £117,000,000 Multi-Class Mortgage Backed Floating Rate Notes due 2035 is hereby given that, pursuant to Condition 5(e) al

£5,322.00 per Class A2 Not £0.00 per Class A3 Note on the next Interest Payment Date, being October 31, 1996. MORTGAGE SECURFTIES (NO.3) PLC Dated: October 29, 1996.



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## inder posts 13.2% advance

enal Plus sign

CA film contra

Banco Santander, which is

leading a drive by Spanish banks into Latin America, yesterday posted a 13.2 per cent increase in net attributable profit to Pta71.7bn (\$570.1m) for the first nine months of the year.

The result, which was to Ptal16.1bn. belped by robust growth in the group's core commercial hanking business both in Spain and Latin America, was in line with estimates. Santander had the highest

nine-month net income among the domestic banks, shead of the Pta70.4bn posted last week by Banco Bilbao Vizcaya, its closest domestic rival.

Mr Emilio Botin, Santander chairman, said the

results reflected "the excel- itability. The group said, ero Inverméxico, Mexico's lent evolution of recurring however, that these figures fourth-largest financial insti-

Reporting big increases in outstanding loans, mortgage lending and managed funds, the bank said that net interest income rose 12.3 per cent to Pta292.7m and that earnings from fees and commissions\_increased 14.6 per cent

Average total assets, the largest among the domestic financial institutions, stood at Pta17,881bn, 14.5 per cent up on the nine-month stage last year, and return on equity increased from 16.55 per cent to 17.56 per cent. Net provisions for loan losses, which increased 32.4

per cent to Pta32.7bn, and for goodwill amortisation, which grew at a similar rate to Pta14.8bn, held back prof-

pointed to considerable unrealised earnings poten-

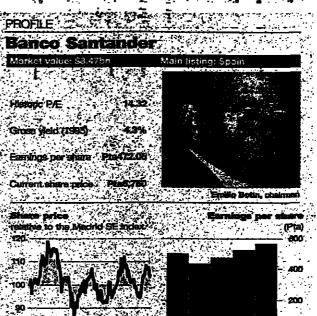
Some Pta12bn of the good-

will amortisation was absorbed by Banesto, the troubled bank which was acquired by Santander in 1994 and which is expected to start making a positive contribution to the group's results in the next 12 months. Under domestic banking rules, goodwill must be amortised over 10 years, instead of over 20 years as in the US, and it cannot charged to reserves, as in

The results come as Santander deepens its involvement in Latin America, where it last week acquired tution, in a \$378m deal. In April, Santander spent \$495m on Chile's Banco Osorno, which it merged with its existing financial activities to form Banco Santander Chile.

The Spanish group is now set for an acquisition in Venezuela, where it has been shortlisted in privatisation tenders for Banco de Venezuela and for Banco Consolidado, a smaller bank. Decisions on both sales are due before the end of the year. Santander, which is also present in Argentina, Peru

and Puerto Rico, has still not reached a ceiling imposed by its board which limits investments in Latin America to 20 per cent of



## AgrEvo forecasts 36% rise for year

AgrEvo. the German agrochemicals company, said it expected operating profits to rise 36 per cent to DM200m (\$131m) as a result of unexpectedly strong sales growth and the effects of cost-cutting in the first three-quarters of 1996. Mr Gerhard Prante, chief

executive, said the company, which is jointly owned by Hoechst and Schering, now expects sales for the full year to reach DM3.75bn, 11 per cent higher than in 1995 and well ahead of the market average of 3-4 per cent. Earlier this year AgrEvo had forecast sales of DM3.5bn. Schering's shares advanced DM0.25 to DM124.80 on the news. Hoechst shares put on 77 ofennigs to DM58.05.

The strongest sales growth was expected in Latin America where a rise of 27 per cent to DM100m was forecast. This followed North America, where a 14 per cent increase to DM80m is expected. In Europe, the company's biggest market, a 4 per cent rise in sales to DM1.5bn is forecast

In global terms the com-

pany lifted its share of the \$26bn agrochemicals market to 9 per cent. In sales terms AgrEvo is now the secondlargest agrochemicals company in the world after Novartis.

The company's bio-technology activities were prog-ressing well but were dependent on public acceptance of genetically manipulated was a particular problem in Germany where there has

been strong opposition from environmental groups. Outside Japan the com pany benefited from a weakening of the D-Mark, Mr Prante said. In 1995 AgrEvo estimated it lost DM250m of sales and saw DM80m wiped off the operating profit by the negative effects of

exchange rate. Mr Peter Henkel, the board member responsible for administration and personnel, said AgrEvo's costcutting campaign was begin ning to take effect and had contributed significantly to the rise in operating profits By 1998 the company aimed to cut DM300m off its

costs compared with 1994. The 1996 profits forecast includes restructuring costs of DM130m, Mr Henkel said.

## France Télécom's first payout set to top FFr1bn

By David Owen

France Télécom looks set to pay out more than FFribn (\$194m) in dividends to private investors in its first year as a publicly-quoted

Mr Michel Bon, chairman, said the company's overall dividend, payout after next tisation is likely to amount profits. This is the same proment the company makes to the French state, at present its only shareholder.

Private investors are from sales of FFr147.Sbn. expected to be given their first opportunity to invest in the group next April in what is expected to be the country's largest privatisation to FFr30bn, taking its net date. The planned float is one of a string of share offerings in state-controlled Euro- level of its net debt, but Mr

pean telecoms operators.

Mr François Fillon, tele-

communications minister, said recently the proportion of capital offered should be "about 20 per cent". The state is to retain 51 per cent of the company.

On this basis, the group would need to make 1997 profits of more than FFr11bn for the FFrlbn payout to be year's planned partial priva- triggered. A report on the company published in June to about 45 per cent of net by BZW, the investment arm of Barclays Bank, estimated portion as the annual pay net profits for that year would be FFr12.8bn. This would compare with a 1995 figure of FFr9.2bn, generated

Mr Bon said he expected the group's 1996 accounts to include net provisions of between FFrl5bn and worth to below FFr100bn. This would be less than the

Bon indicated that from 1997 debt should fall by between FFr10bn and FFr15bn a year. As well as important

adjustments in the wake of the company's much-publicised agreement to pay PFr37.5bn to the state in return for the transfer of pension liabilities, these provisions would include a significant sum for property make next year's float a

write-downs. Mr Bon said this was needed because property was valued at 1990 levels - close to the peak of the French property market.
According to BZW, France Télécom believes its "original 1990 balance-sheet may have overvalued land and buildings by up to FFr25bn". Mr Bon said he wanted to

"popular French" share offering. "All the French are clients of France Télécom and everyone has a view of the quality of the product," he said.

The arrival of private investors should also give the company with a one-off benefit related to the fact that it will pay ordinary dividends several months later

state. The company makes this payment on the last day of the year to which it relates, based on an estimate of eventual profits. The first dividends to private investors, by contrast, are unlikely to be paid until well into 1998. Extra interest on this money could be worth tens of millions of francs.

## Randgold profits ahead sharply

in Johannesburg

Randgold, the South African mining house whose recovery hinges on the fate of the country's - marginal .gold mines, announced a sharp rise in full-year profits.

Pre-tax profit for the year to September 30 more than doubied R72.4m (\$15.66m). The results were not comparable with the previous period due to net asset value of Randbut they reflect significant gains from South African operations in the September

After-tax profit of R52.7m was 129 per cent higher than 1995, but included an exceptional item of R27.6m from the cancellation of management contracts with Blyvooruitzicht and Unisel mines. Excluding the exceptional item. after-tax profit increased by 9 per cent.

Turnover fell 21 per cent from R75.51m to R59.80m following the disposal of First Wesgold mining company. Profit on the sale of investments was consequently higher at R37.9m compared with R254,000. No dividend was declared as Randgold had moved its year-end to March 31. The next financial statement will reflect the 18 months from October 1 last

Randgold's net asset value

during the period, reflecting the rapid growth of Randgold Resources, its new business arm. The market value of Randgold's investment in its listed South African interests was about R44m.

Earlier this month, Randgold Resources acquired a controlling stake in the Syama Gold Mine in Mali irom BHP Minerals Man Io \$30m cash. The acquisition trading at a discount to net asset value of about 18.5 per cent.

Mr Peter Flack, chairman said the group's prime objective was "to eliminate the discount to NAV from the Randgold share price". Randgold had "moved our own goalposts" by buying Syama. The resources subsidiary would be listed before the first quarter of 1998 to raise cash to fund new business in Africa.

Randgold had become the first South African company to list on Nasdaq for 15 years. An issue of American Depositary Receipts, completed on October 4, had raised \$48m from 7 per cent secured guaranteed bonds convertible into South African equity by 2001.

Mr Flack said the issue,

which was designed to increase Randgold's tradeability, had been oversubalmost doubled to R1.9bn scribed four times.

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## **JPMorgan**

## **UBS** cautions on debt provisions

By William Hall in Zurich

Union Bank of Switzerland has underlined the continuing problems of the Swiss economy by signalling that bad debt provisions this year will be higher than the SFr1.2bn (\$951m) predicted only two months ago. Switzerland's biggest

bank, which does not publish third-quarter figures. reported vesterday that its third quarter results were weaker than in the first two quarters of the year. Nevertheless, it said earnings for the first nine months of 1996 exceeded last year's full-year figure. The outlook remained cautiously optimistic".

Like other Swiss banks. UBS has been hit by the problems in the domestic real estate market and an economic slowdown. In early August, it announced a 76 per cent increase in first-half provisions for bad debts to SFrsoim. It warned then there was "no sign of the situation improving" in the near future and it expected situation.

provisions to remain high in

the second haif. However, a month later, Mr Mathis Cabiallavetta, the group's new chief executive, was quoted as saying that he expected full-year provisions be about SFr1.2bn. roughly in line with last year's figure. This led bank analysis to believe that the high-point in the group's bad debt provisions might have

UBS did not elaborate on the reasons for its decision to take a more cautious stance on provisioning levels. It said there had been ao improvement in the level of value adjustments, provisions and losses, which over all three quarters registered a significant increase against a year earlier. Credit risk provisions continued to relate almost exclusively to

the Swiss loan portfolio. Analysts are still expecting UBS to increase full-year carnings by about one-fifth in spine of its more cautious comments on its bad debt mergers & acquisitions · debt & equity capital raising · swaps & derivatives · credit arrangement & loan syndication · sales & trading · asset manu-

(the "Company") USS30,000,000 3 per cent. Convertible Bonds due 2006

(Incorporated in the Republic of Korea with limited liability) To the Holders of the Company's US\$30,000,000 3 per cent. Convertible Bonds due 2006 (the "Bonds")
Notice to Bondholders of the modification of the Terms and Conditions of the Bonds

Notice is hereby given that Chell Jedang Corporation (the "Company") has, pursuant to Condition 12(B) of the Bonds and with the agreement of Citicorp Trustee Company Limited, the Trustee for the Bondholders (the "Trustee"), amended the Terms and Conditions of the Bonds by a Supplemental Trust Deed dated 25 October, 1996, entered into by the Company and the Trustee. The following modifications to the Terms and Conditions of the Bonds have been made:

 To provide for an additional option for Bondholders to redeem their Bonds (the "1999 Put Option") exercisable on 31 December, 1999 at a price calculated in accordance with the method referred to below plus accrued interest to the date of redemption.

2. To allow Bondholders who exercise their option to redeem their Bonds on 31 December, 1996 (the "1996 Put Option") to subsequently revoke the notices of redemption by giving notice in writing to the Company at the specified office of any Paying and Conversion Agent during its normal business hours on or before 20 November. 1996 and the Company will consent to any such revocation. The preceding sentence serves as the written consent, in advance, as required by the Supplemental Trust Deed for any such revocation.

3. To amend the terms of Condition 7(B) to extend the period during which the Company's call option remains conditional upon the closing price of the Non-voting Shares of the Company and to incorporate protection for Bondholders against fluctuations in the Won/U.S. dollar exchange rate and in relation to the value of the 1999 Put Option.

. To allow the Company to designate a purchaser or purchasers to purchase such Bonds as are deposited for redemption by the Bondholders under the 1996 Put Option or the 1999 Put Option, at the price at which such Bonds are to be redeemed plus accrued interest to the date of purchase.

5. The price at which the 1999 Put Option will be exercisable (the "1999 Put Price") will be calculated by Dongsuh Securities Co., Ltd. in accordance with the following formula

 $P_2 = \left(1 + \frac{r}{100}\right)^3 \left[ P_1 - C \left[ \frac{1}{\left(1 + \frac{r}{100}\right)} + \frac{1}{\left(1 + \frac{r}{100}\right)^2} + \frac{1}{\left(1 + \frac{r}{100}\right)^3} \right] \right]$ 

Where: P2 = 1999 Put Price (expressed as a percentage of principal amount of the Bonds and rounded off to three decimal places)

P1 = 1996 Put Price (121.645 per cent of the principal amount of the Bonds) C = Full Coupon (3.0 per cent per year)

r = (y+s) to be calculated on a 360 days per year basis as described in Rule 251.1 and Rule 803.1 of the Rules and Recommendations of the International Securities Market Association (or any substitute or successor thereof) and expressed as a percentage s = spread of 65 bp over yield on the Reference 3 year U.S. Dollar LIBOR swap rate Yield on the Reference 3 year U.S. Dollar LIBOR swap rate

The "Yield" on the Reference 3 year U.S. Dollar LIBOR swap rate for the purposes of y above, will be determined by Dongsuh Securities Co., Ltd. on the following basis: (a) The "Yield" will be the offered 3 year U.S. Dollar LIBOR swap rate which appears on the display designated "GOTX" on the Heuters monitor (or such other page or service as may replace it for the purpose of displaying the offered yields on such Reference 3 year U.S. Dollar LIBOR swap rate) for the first quotation in the Reference 3 year U.S. Dollar LIBOR swap rate occurring on or after 10.00 a.m. (London time) on the Determination

(b) "Determination Date" means 23 December, 1996 (i) Dongsuh Securities Co., Ltd. is to inform the Principal Paying and Conversion Agent of the 1999 Put Price by no later than 24 December, 1996. It is for Bondholders to decide whether the 1999 Put Price adequately compet deciding not to exercise the 1996 Put Option.

The Company will be unable to redeem Bonds at its option prior to 1 January, 2000, unless the Closing Price of the Non-voting Shares for each of 20 consecutive trading days, the last of which occurs not more than 30 days prior to the date upon which notice of such redemption is published: (i) is greater than 140 per cent of the Conversion Price in effect on such trading day; (ii) when converted into U.S. dollars on each of such 20 consecutive trading days (such conversion to be at the mean of the exchange rate quotations by Korea Financial Telecommunications & Clearing Institute in Seoul for buying and selling spot U.S. dollars against Won in respect of each such trading day), is greater than 140 per cent of the Conversion Price in effect on such trading day converted into U.S. dollars (such conversion to be at the rate of Won754.60 = U.S.\$1.00) and (iii) when converted into U.S. dollars on each of such 20 consecutive trading days (such conversion to be at the present of the dollars on each of such 20 consecutive trading days (such coversion to be at the mean of the exchange rate quotations as aforesaid) is greater than the 1999 Put Price (as defined in Condition 7(D)) multiplied by the Conversion Price in effect on such trading day converted into U.S. dollars (such conversion to be at the rate of Won754.60 = U.S.S1.00).

All Bondholders contemplating taking any action in respect of the matters contained in this Notice should seek independent advice as to their tax position and, if in any doubt, should also seek independent financial advice.

Notice is also hereby given, in accordance with Condition 14 of the amended Trust Deed, that the purchaser(s) designated by the Company, pursuant to Condition 7(E) of the amended Trust Deed as referred to in Clause 4 of this Notice shall be Dongsuh Securities Co., Ltd.

Bondholders who have any questions concerning the matters referred to in this Notice should contact Dongsuh international (Europe) Ltd., a subsidiary of Dongsuh Securities Co., Ltd., which is regulated by the SFA and is representing the Company in connection with these matters. Dongsuh International (Europe) Ltd. can be contacted at Livingstone House, 12 Finsbury Square, London EC2A 1AS, tel: 44171 538 7931, fax:44171 538 1707.

Copies of the Supplemental Trust Deed which implement the amendments are available at the specified offices of each of the Paying and Conversion Agents set out below

> PRINCIPAL PAYING AND CONVERSION AGENT Citibank, N.A., 336 Strand, London WC2R 1HB.

Citibank, N.A. Boulevard General

Jacques, 263g B-1050 Brussels

PAYING AND CONVERSION AGENTS Citibank (Luxembourg) S.A., 58 Boulevard Grand-Duchesse

Citibank (Switzerland), Bahnhofstrasse 63, Charlotte L-1330 Luxembourg CH-8021 Zurich

October 29, 1996 ssued by: Cheil Jedang Corporation

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#### Dong-A Pharmaceutical Co., Ltd.

Notice of Bondholders' Additional Option to Redeem Bonds on 31st October, 1998 Right to Revoke Notices of Redemption

To the Holders of the Company's U.S. \$25,000,000

31/4 per cent. Convertible Bonds due 2006

(the "Bonds") (Redeemable at the option of the Bond)

NOTICE IS HEREBY GIVEN that following the execution by Dong-A Pharmaceutical Co., Ltd. (the "Company") and Bankers Trustee Company Lumited (the "Trustee") of a First Supplemental Trust Deed dated 10th September, 1996 which amended the Terms and Conditions of the Bonds (as more fully described in the notice to Bondholders which appeared in this newspaper on 11th September, 1996). Daewoo Securities Co., Ltd. has now calculated the percentage of principal amount at which Bonds to be red on 31st October, 1998 will be redeemed (the "1998 Put Price").

The 1998 Put Price has been calculated by Daewoo Securities Co., Ltd. in accordance with the formula se out in the First Supplemental Trust Deed defined above and has been set at 134-109 per cent, of the principal

All Bondholders contemplating taking any action in respect of the matters contained in this notice should seek independent advice as to their tax position and, if in any doubt, should also seek independent

Copies of the First Supplemental Trust Deed which implements the above amendments are available at the pecified offices of each of the Paying Agents set out below.

Bankers Trust Company 1 Appeld Street Broadgate London EC2A 2HE

29th October, 1996

Paying Agents Bankers Trust Luxembourg S.A. P.O. Box 807 14 Benlevard ED, Rossevels L-2450 Luxembourg

8 Paradeplatz CH-8001 Zurich

Issued by: Dong-A Pharmaceutical Co., Ltd.

## COMPANIES AND FINANCE: THE AMERICAS

## Henkel bids \$1.1bn for Loctite control

By Richard Waters in New York

Henkel, a German chemicals concern, yesterday revealed an unusual bid for control of a US corporation with the disclosure that it had offered DM1.7bn (\$1.1bn) for the 65 Freeman, Loctite president to put pressure on Loctite per cent of Loctite it does not already own.

Representatives of the US company, which makes Henkel said. adhesives and industrial sealants, were unavailable to respond early yesterday to what appeared to be a rare hostile bid from across the

consumer glues, has owned a minority stake in Loctite for many years. At the weekend, Mr Hans-Dietrich Winkhaus, the German company's chairman, met Mr David and chief executive officer. to propose a purchase of the remaining 65 per cent,

Henkel added that it had offered to pay about \$56 a share for the stake - \$10 above the level at which they ended last week. The

per cent rise in the company's shares yesterday morning in New York, to \$57%.

Henkel's decision to make its interest public was seen on Wall Street as an attempt directors to agree to a sale. Directors of US companies find it difficult to escape such so-called "bear hugs" without running foul of their fiduciary responsibilities to shareholders.

"We have offered to take up negotiations with Loctite news, and the possibility with the aim of a speedy and

gest maker of industrial and still higher offer, fuelled a 24 man company said. It added that it would proceed with a public offer if this friendly approach failed. Henkel added that it had no plans to sell its existing, minority

stake in Loctite. The bid comes at a vulner able time for Loctite, which sales. had seen its share price sag advancing by 12 per cent to \$785m in 1995. It has blamed

AMERICAS NEWS DIGEST

Warner Music

sheds more jobs

Warner Music is making 20 people redundant by shedding just over a third of the staff at the black music division of

its Warner Bros label, in the latest of a recent spate of job

losses in the global music industry. A few weeks ago. Warner announced 60 redundancies at Atlantic, one of its

PolyGram, the Dutch entertainment group which is one of

larger record labels. The latest cutbacks come days after

its arch-rivals, issued a profits warning and announced 400 job losses at its record labels.

The job losses reflect the increasingly competitive

condition of the global music market. In the US, still the

largest source of record sales, supermarket price cutting

has forced several record chains into financial problems. At the same time sales have slowed in several European

The impact of the sales slowdown has been accentuated

by rising costs within the music industry as the cost of

clinching long-term deals with star artists has soared.

Merrill announces new chief

Merrill Lynch, the large US brokerage and investment

bank, yesterday announced its succession plans, following

the retirement of Mr Daniel P. Tully, chairman and chief executive officer, at the end of the year. Mr David H.

Komansky will take up the post of chief executive officer in December, and is expected to take over the

Mr Komansky, aged 57, is currently president and chief

operating officer. Previously, he ran the company's debt

and equity businesses, areas in which Merrill Lynch has a

dominant market position. Mr Herbert M Allison Junior,

aged 53, is widely tipped as the next chief operating officer. He is currently executive vice president of the

institutional client group, which involves running

Separately, Merrill announced the appointment of a

new London-based director to its board of directors. Mr

David Newbigging, chairman of Equitas Holdings and

retired chairman of Jardine Matheson will join the 14

investment banking, debt and equities.

countries, and the Asian market has been adversely

affected by a resurgence of piracy.

Henkel, the world's big that Loctite would attract a friendly takeover," the Ger Europe, from where it derives about 40 per cent of

its revenues.
Loctife, which makes adhesives for both the indus-trial and retail markets, has also had no growth this year in North America, where it generates 37 per cent of

Standard & Poor's, the US from a high of nearly \$54 six credit rating agency, warned months ago. The company's, that borrowing to finance a sales were flat in the first six, share purchase could months of this year, after weaken Henkel's financial condition. It added, though, that the proposed purchase the fallure to grow in part on would "strongly reinforce" the slack economy in Henkel's strongest business.

Alice Rowsthorn

## McDonnell abandons plans for new jetliner

By Christopher Parkes in Los Angeles

McDonnell Douglas has scrapped plans to develop a large jetliner to compete with market leaders Boeing and Airbus. The decision will again raise questions about the aerospace group's future in the commercial

After reviewing a sixmonth engineering study, the board decided the risks of the \$3bn MD-XX project

were too great, officials said. The cancellation of the project, which included options to extend the flying range or increase the passenger capacity of the 300-seat MD-11, leaves McDonnell without an aircraft with which to compete effectively for a share of the fast-growing markets in Asia and Latin America.

Plans for the new MD-11 included a wider-bodied version with the same number of seats and a 20 per cent increase in range to 8.500 miles, as well as a stretched variant with 75 more seats. Officials rebutted sugges-

tions that the company.

which has seen its share of the world commercial jet market shrink by half to 10 per cent since 1990, might be obliged to quit the business. A spokesman refused to discuss the possibility of merger talks, such as the

By Louise Kehoe

Microsoft and Intel, the

world's largest software and

microprocessor groups, plan

to develop jointly low-cost

"NetPCs" which they say

will be significantly cheaper

to administer than standard

Leading PC manufacturers

including Compaq, Dell.

Digital Equipment. Gateway

2000, Hewlett-Packard, Pack-

ard Bell and Texas Instru-

ments - have announced

plans to manufacture

NetPCs, which are expected

order entry or airline seat

reservations - which do not

require the flexibility or

ability to expand of a tradi-

They are a direct response

by the PC industry to the

competitive challenge of net-

work computers (NC) that

have been widely promoted

by Mr Larry Ellison, chair-

man and chief executive of

Oracle, as a lower cost alter-

By announcing the NetPC

initiative, supporters of the

Microsoft/Intel machines

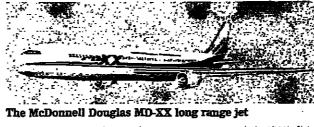
also aim to pre-empt Sun

tional PC.

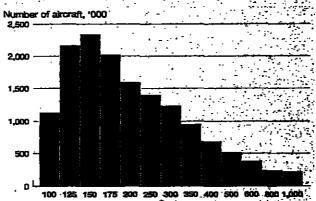
native to PCs.

to be shipped next year. NetPCs are for use with repetitive tasks - such as

personal computers.



Aircraft demand, 1995 to 2014



Apple Computer yesterday introduced two new products in

office workers, writes Lousie Kehoe. The new machines

incorporate PC-like features and are less dependent upon

the handwriting recognition technology that proved to be

The new office Newton, called the MessagePad 2000,

includes Internet features such as electronic mail and

access to the World Wide Web as well as built-in word

processing and spreadsheet applications. It will be priced at

The eMate 300, aimed at elementary and high school

students, is designed as a companion to an Apple Macintosh or Windows PC. It will allow students to work anywhere,

The new Newtons are "proof of Apple's continuing commitment to innovation", said Mr Gil Amelio, Apple presi-

Microsystems' planned intro- a quarter of the estimated

the downfall of earlier generations of Newton products.

e for school childre

lier this year with Boeing. We will stay in the market with the MD-11 for now while we look at other options," an official said. Longer-term development work was still under way on

figuration, for example. increasing, and the MD-11, from \$3bn to \$1.9bn.

about \$1,000 in the US.

dent and chief executive.

tion" NCs today.

broad appeal.

rate

duction of low-cost "JavaSta-

The move represents a

reversal by Mr Bill Gates,

Microsoft chairman, who has

previously dismissed the NC

as a step backwards in tech-

nology that would not have

However, large businesses

that are increasingly con-

cerned about the rising costs

of administration and sup-port of PCs linked to corpo-

expressed strong interest in

NCs. Sun claims that the

cost of its JavaStations will

networks have

be about \$2,500 a year, about costs.

and is expected to sell for about \$800.

blended wing and body con-

negotiations broken off ear- the biggest aircraft in the current range, had recently been boosted by an order from Lufthansa, the German flag carrier.

McDonnell's commercial aircraft unit, based in Long Beach, California, is still a futuristic aircraft with a profitable. Operating income more than doubled to \$90m in the first nine months of Production rates were this year on revenues down

#### Tracy Corrigan, New York member board. Microsoft and Intel in Femsa meet expectations plan for low-cost 'NetPC'

chairmanship in April.

Femsa, Mexico's largest drinks company, last week reported improved third-quarter sales and profits, in line with expectations. Third-quarter sales rose 4.6 per cent to 4.49bn pesos (\$565m). Operating profits increased 12.2 per cent to 395m pesos, and net profits 63 per cent to 448m

Femsa has maintained its market share for beer and increased its participation in Mexico's soft drink market. Nine-month sales at the company's beer division, Femsa Cerveza, which accounts for 44 per cent of revenue edged down by 1.8 per cent, in spite of a 6 per cent rise in volume on the domestic market. In spite of the declining peso, beer exports rose only 4.4 per cent and represented

just 6.7 per cent of the division's sales, Coca-Cola Femsa, the group's soft drink division, which contributes 38 per cent of total sales and is independently listed, also marked a slight drop in sales for the first nine months of 1996 combined with a rise in volume.

Daniel Dombey, Mexico City

#### Kellogg to set up new division

Kellogg, the US breakfast cereal company suffering the effects of a price war in the US market, yesterday said it was setting up a new division to capitalise on the growing trend towards so-called functional foods - products with added fibre, vitamins or other nutrients that purport to bring health benefits to consumers.

The company cited its All-Bran cereal as one product that already offered health benefits. Dr William Meyer. appointed president and general manager of the new division, said: "With the ageing of consumers around the world, there will be an increasing demand for foods that: can help prevent and manage disease."

Functional foods such as bacteria fortified yoghurts are already big sellers in Europe and Japan-but are a relatively recent phenomenon in the US. Last month Campbell Soup, the US food company, announced plans to set up a mail-order division that will deliver frozen meals purporting to combat high blood pressure, high cholesterol and diabetes. The Campbell Soits programme called Intelligent Cuisine, costs \$79.95 for 21 meals, including shipping and handling. Subscribers are told they must stay on the programme for 10 weeks to experience its benefits. Richard Tomkins, New York

## Banco do Brasil aims to shake off past

## Restoring the bank to health will be a slow process, writes Jonathan Wheatley

annual costs of running a PC

be less expensive to support

and administer, said Mr Pat

Gelsinger, Intel vice-presi-

dent NetPCs would also

work alongside and be com-

patible with existing PCs

and network servers, he

The NetPC will run stan-

dard PC software. Microsoft

will provide a new version of

its Windows operating sys-

tem with built-in "zero

administration" features

aimed at reducing running

Similarly, the NetPC will

on a corporate network.

R\$124m (US\$120.8m) may sound modest for Latin America's biggest bank, but after first-half losses of R\$7.8bn Banco do Brasil has reason to be satisfied.

Its performance since July confirms it has turned the corner after years of dubious management and political interference. Shaking off the past will, however, take

"The bank's new managers are doing an excellent job, absolutely phenomenal." says Mr Rodrigo Fiaes, an analyst at investment bank Icatu in Rio de Janeiro. "But they can't wave a magic

Like many of Brazil's public-sector banks, Banco do Brasil for years concealed

hird-quarter profits of under-provisioning for bad analysts' association, Abaloans. Its new managers, brought in in February 1995, may have been surprised by the size of the hole they discovered in the accounts.

> an R\$8bn capitalisation issue in May this year. The new shares were wildly overpriced and the issue flopped, forcing the national Treasury to increase its holding from 39 per cent of the bank's total capital (including 51 per cent of voting stock) to 73 per cent. But such a radical measure convinced many analysts that Banco do Brasil's previously opaque accounts were now

Part of their solution was

transparent. Mr Carlos Gilberto Caetano, financial director, is currently cementing that impression by touring local mec. His first presentations last year broke 10 years of silence,

A more fundamental challenge than opening the bank's accounts is to trim its bloated operational structure and develop new business areas. A voluntary redundancy programme helped cut staff numbers from 150,000 in mid-1994 to 106,000 this June. About 100 of its 8,000 branches closed last year; more will follow. "The restructuring pro-

gramme now in place is designed to put all our branches into profit," Mr Caetano says. "Those that are not in profit by the end of 1998 will close."

The bank scored some early successes with departures into new services. A the true state of its assets by branches of Brazil's market private pension plan and pear overnight. Its rate of

mutual fund launched last non-performing loans is year are both second-biggest per cent, compared with 57 analysts say. In the third per cent, but accepts the quarter, the bank covered 30 miderising rate will remain per cent of its administrative. costs from service fees, up two years from 26 per cent in the first Meanwhile it may be hard

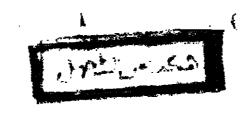
salary structure will also be . Brazilian private benes a slow process.

Nor will Banco do Brasil's. legacy of bad debts disap-, improvement on this quar

in the market in terms of per cent at Banco Itau, a stock, owing largely to the private sector rival Mr Cae. bank's high visibility and tano says the "current" rate large branch network, but - that is, past-due payments also to good management. In the past month - is 27,

half and 12 per cent a year for the bank's shares to attract attention from all but Other changes will take the most adventurous inveslonger. Banco do Brasil pro- tors. Volumes were equivavides 85 per cent of all farm lent to \$287,000 a day over lending in the country the past menth hast year. Reducing this exposure is daily volumes of \$1m to. unlikely to produce signification, were common Patcant results in less than 10 studing foreign investors to years. Adjusting the bank's look beyond the big three - will call for long text

ter's effcouraging start.



## **COMPANIES AND FINANCE:** ASIA-PACIFIC

## Singapore Airlines down 11% halfway

Singapore Airlines, the national flag-carrier, yesterday announced disappoint-ing first-half earnings, as it suffered from escalating fuel prices, the strong Singapore dollar, and a soft cargo

Group net profit rose 7.2 profit for the six months to September 30 fell 11.4 per cent to S\$468m. Group revenues climbed 4.6 per cent to S\$3.53bn, and the gross dividend was 7.5 cents. The net profit was lifted by a large gain from the sale of aircraft

half, which saw the airline buffeted by escalating fuel prices, depreciating currencies like the yen and D-Mark, and soft cargo markets," Mr Cheong Choong Kong, chief executive officer,

business were hit. Overall yields - the net revenue per unit (both passengers or cargo) - declined 6.7 per cent as fuel costs rose sharply and the value of earnings overseas fell in Singapore dollar terms. The fall in unit costs - 2.3

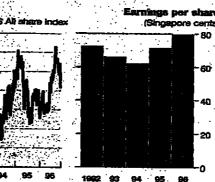
per cent - was slower than the fall in yields, meaning per cent to S\$561m the break-even load factor (US\$396m), but operating climbed 3 percentage points climbed 3 percentage points to 65.4 per cent for passenger flights. The outlook for the second

half remained problematic.

"Passenger traffic is expected to remain strong, but yields will still be under pressure from keen competition and the strong Singa-"It was a difficult first pore dollar," the airline said. The airline's share price was the biggest loser on Singapore's stock exchange

yesterday, falling S\$1 to S\$13. Some analysts revised down their forecasts for the whole year, with some predicting that the airline's net





S\$1bn mark in 1996-97. It S\$1.03bn in 1995-96. No significant surplus from the sale of aircraft was

envisaged in the second half. The airline said that between April and September, it took delivery of two cent from a year ago.

profit would fail to make the Boeing 747-400s and four Airbus 340-300s, and sold reported a net profit of four Boeing 747-200s and one Boeing 737-300 freighter. The group's underlying financial position remains

strong. Shareholder funds

stood at S\$10.28bn on Sep-

tember 30, a rise of 9 per

## Operating result hit by soaring fuel prices and strong currency | Ayala Land solid amid unease

Ayala Land, the Philippines' largest property company, said net profits grew 34 per cent to 3.2bn pesos (US\$124.5m) in the first nine months of 1996, in spite of fears of a downturn in the Philippine property market. But the results, which

mean that Avala is on track to achieve full-year profits of 4.4bn pesos, failed to stem the decline of its shares, which have fallen almost 15 per cent in the past month. Ayala's B shares, which are open to foreign buyers, closed 1.5 pesos down yesterday at 25.5 pesos. "There is a lot of negative

sentiment in the market at the moment about the Philippine property sector," said

Mr Colbert Nocom, analyst at ING Barings in Manila. We think that Avala is being unfairly penalised by essimists because it is by far the healthiest property company in the Philip pines.'

The company, which lifted

net revenues 26 per cent to growth on all fronts had contributed to the earnings performance. Lot sales in the residential, commercial and industrial sectors led the way with a 38 per cent rise. Most of Ayala's flagship projects, including the new

stock exchange tower in Makati, Manila's business district - which posted a 100 per cent occupancy rate also performed well. Sales of residential lots at Southvale village, an up-market housShare price relative to the Manila Composite

ing project in Manila, grew 77 per cent to 3.62bn pesos. The company, which is about to pre-sell condominium units at its Roxas luxwith Hongkong Land - also posted healthy growth in its middle-income housing projects. The sale of lots at the Madrigal business park and Laguna Technopark also grew strongly, the company said. Some analysts, however,

expressed concern that Ayala's net earnings actually dropped 4 per cent from the first six months of 1996. But the company, whose shares are trading at a 50 per cent discount to net asset value considered a good indicator of property stocks - said it had postponed big sales until the fourth quarter, to exploit

does crash in the next few months. Avala would be well ury property development in placed to withstand the ill-Makati - a joint venture effects," Mr Nocom said.

## **KDD** forced to cut profit forecasts

By Michiyo Nakamoto in Tokyo

KDD, Japan's leading international telecommunications operator, has revised downward profit estimates because of weak demand and the impact of rate cuts introduced in the summer.

The company expects

Y14.5bn (\$127.9m), rather rather than Y170bn. than Y17bn as initially forecast, because of weaker than expected demand for international call services and the impact of discounts it launched to improve international competitiveness

Net profits are likely to be Y8.3bn, rather than Y9bn as recurring profits in the six forecast earlier. Sales for the slower than forecast growth Y800m.

For the full year, KDD expects full-year recurring profits to be Y27bn, rather than the Y32bn forecast, on sales of Y337bn, compared with Y343bn. It sees net profits at Y13.5bn compared with a forecast of Y16bn.

The company blamed

in the international call market, in part because of sluggish economic recovery. KDD's international calls are estimated to grow 9 per cent for the year, rather than at its earlier estimate of 11 per cent.

The impact of volume discounts is likely to be Y1.4bn in the first half, rather than

## Philippine SE moves toward self-regulation

By Edward Luce

The Philippine Stock Exchange has voted through a series of reforms which will enable it to become selfregulatory on November 12.

The move, which comes after months of often arcane wrangling, brings the Philippine regulatory framework into line with the system in New York. It is expected to send a positive signal to for-

The PSE, which says the move is part of a drive to shed its reputation for managing a closed shop for local brokerage houses, says the change in status will help modernise the market and even footing with their local counterparts.

"We wanted to show that we are a transparent exchange and not a private club," said Mr Wilson Sy, chairman of the 15-member board of directors. "We want to create more confidence among foreign investors and to show that we can professionalise the PSE."

Foreign brokers, however, say the move - which will enable the PSE to elect three non-brokers to the board of directors and give more power to the PSE's surveillance department to root out insider trading - is not

Overseas broker houses, which form a significant minority of the 180 exchange members, say the PSE remains an opaque institution run by a cabal of mainly Chinese-Filipino brokerages. "A lot more needs to be done to make the PSE the

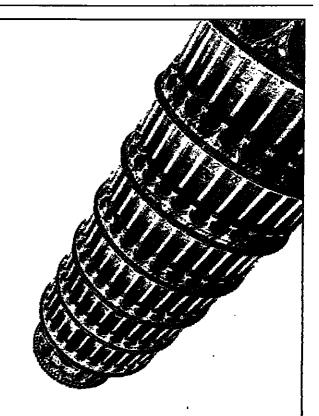
place it claims to be," one foreign broker said.

Philippine officials say the change in regulations will give the surveillance department the right to audit brokerages at any time without having to request permission from the board of directors. The department's power to investigate share price irregularities will also be strengthened.

Under the changes, which give the PSE autonomy from the day-to-day interference of Manila's Securities and Exchange Commission, two non-brokers will be elected to the board. These are expected to include one put overseas investors on an mutual fund manager and one company executive. take place after November 12, is expected to dilute local brokers' stranglehold over policymaking. The third non-broker is the president of the board.

"The reason these reforms are going through is because the globe is getting very small nowadays," said Mr Vitaliano Nanagas, recently appointed president of the PSE. "If we don't compete for foreign funds, nothing will come our way.

With many foreign investors moving out of Philippine stocks in the past few weeks, on fears of a downturn in the country's property sector, few believe the reforms will reverse the tide. But many, including foreign investors themselves - who make up about two-thirds of the PSE's daily turnover say the move is at least a step in the right direction.



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**Bank of America** 

## Nocil unit seeks tie-up

By Tony Tassell in Bombay

National Organic Chemical industries (Nocil), the Indian group, plans to spin off its petrochemicals operations into a joint venture with a multinational company.

Nocil said Arvind Mafatlal was talking to five international petrochemical industry leaders about a joint venture as part of its efforts to finance expansion.

For the past two years Nocil has been planning a Rs46bn (\$1.2bn) expansion of

its plant at Thane, near Bombay, which will include greenfield cracker project. However, it has been unsuccessful in raising finance through debt or equity

Nocil said a majority stake in the proposed joint venture may be offered to the foreign partner, although details bad not been decided. It said petrochemicals accounted for about half of total turnover.

The company made net profits of Rs911m in the year to March 1996, on sales of

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(Incorporated with limited hability in the State of Viguria, Australia)

U.S. \$250,000,000 Subordinated Floating Rate Notes due 2000 of which U.S. \$140,000,000 is being issued as the Initial Tranche and U.S. \$70,000,000

is being issued as the Second Tranche Notice is hereby given that for the Interest Period 28th October, 1996 to Jith April, 1997 the Notes will carry a Race of Interest of 6.14063 per cent. per summy with an Amount of Interest of U.S. \$3,104,43 per U.S. \$130,000 Note. The relevant Interest Payment Date will be 28th April, 1997.

Bankers Trust Company, London

Agent Bank

Western music makers

hit sour note in Asia

## Pressure off UTI to sell equity portfolio

By Tony Tassell in Bombay

The Unit Trust of India, the country's biggest mutual fund organisation and largest investor, has signalled that the pressure on it to sell shares to meet redemption payments has eased.

UTI said redemptions dropped sharply in the first tax regulation changes quarter to September 30, to Rs14bn (\$393.3m) from Rs26bn in the same period last year. The news is likely to offer some relief to the Indian share market, given UTT's dominance of it.

The trust holds an equity portfolio equivalent to 9 per cent of the market capitalisation of the Bombay Stock Exchange. However, for much of the past two years this traditional supporter of the market has been a net seller of Indian equities because of heavy redemption pressures. Redemptions totalled Rs108bn in 1995-96 and Rs125bn in 1994~95.

UTI's sell-down has been an important factor behind the slump in the market over the past two years. The market indicator, the BSE 30 index, fell from a high of to pick up stock," he said.

Two Hong Kong companies

involved in China property

developments have unveiled

details of share offerings

timed to capitalise on the

surge of liquidity and bullish

sentiment in the Hong Kong

The first, Concord Land

Development, is being spun

off from Pacific Concord

Holdings, a diversified man-

ufacturing and telecoms

of new and old shares.

company. It is looking to on shopping mall develop-

raise about HK\$1.1bn ments in Chinese cities. (US\$142.3m) through the sale According to the company

China Resources Beijing net tangible assets of

arm of China Resources, the HK\$6.84bn, giving a net placement.

Global Fixed Income Group.

Asia Pulp and Paper Co. Ltd.

P.T. Bank Internasional Indonesia

P.T. Bank Negara Indonesia

Advanced Info Service Public Company Limited

Bank of Ayudhya Public Company Limited

China Light & Power Company, Limited Electricity Generating Authority of Thailand

Industrial Development Bank of India

The Korea Development Bank Korea Electric Power Corporation

P.T. Mulia Industrindo P.T. Mulialand PCI Bank

P.T. Polysindo Eka Perkasa Reliance Industries Limited Reserve Bank of India San Miguel Corporation

SM Prime Holdings Inc. Steel Authority of India Ltd. The Tata Iron and Steel Co., Ltd.

Tenaga Nasional Berhad

**JPMorgan** 

Krung Thai Bank Public Co., Ltd. Mass Transit Railway Corporation

ICICI Securities and Finance Company Limited

The Industrial Finance Corporation of Thailand

Ministry of Finance, People's Republic of China

Philippine Long Distance Telephone Company

The Siam Commercial Bank Public Company Limited

Industrial Credit and Investment Corporation of India Ltd.

Speakers:

Bank Indonesia

First Gas Holdings

By Louise Lucas

in Hong Kong

4.643 in September 1994 to a uary, although it has since rebounded above 3,250.

Mr Jagdish Capoor, chairman of UTI, said heavy redemptions over the past two years had been driven by tight liquidity conditions in the Indian economy and which made investment in mutual fund schemes less attractive to corporations.

"Since July, the pressure Redemptions have been much less," he said.

Mr Ramnath Iyer, analyst with brokers Peregrine India, said the reduction in redemptions was good news for the share market. "UTI may still remain marginal net sellers in the market, but they will not be the aggressive sellers they were last year," he said.

Mr Iyer said if UTI selling slowed, prices may be pushed up by a shortage of supply. "UTI is traditionally the first port of call for anyone wanting Indian stocks. If they are not selling, the buyers will find it more difficult

HK groups in fundraisings

mainland-backed conglomer-

ate listed in Hong Kong, will

follow a day later with a

Concord Land Develop-

ment is offering 300m shares

at a price of between

HK\$3.34 and \$3.96. Some 15

per cent of the stock will be

sold through an initial pub-

lic offering (IPO) which kicks off in Hong Kong

today. Dealing in the shares

is scheduled to start on

Net proceeds will be spent

prospectus, it will have total

Land, the China property between HK\$6.7bn and tion in the international

J.P. Morgan wishes to thank the speakers and guests at our

held October 6th-15th in Hong Kong, Manila, Jakarta, Bangkok,

Asian Issuer-Investor Conference

New Delhi, and Bombay and sponsored by our

HK\$708m fundraising.

The fall in redemptions low this year of 2,820 in Jan- comes as UTI finalises plans for a restructuring designed to separate its mutual fund operations from retail banking, broking, credit rating and custodial services. in the region

The move is a response to criticism about the transparency and accountability of its operations, and to a challenge to its dominance of the Indian share market by an increasingly competitive mutual fund industry and has eased considerably. inflows of foreign invest-

> Mr Capoor said a holding company would be set up to hold stakes in UTT's various operations. The company would then establish an asset management company to run the mutual fund operations on an "arm's length" basis. Shares in the holding company are likely to be offered to Indian financial institutions and the gov-

ernment. Talks are continuing with Japanese group Nomura over a broking venture, and UTI is planning an offshore index-linked mutual fund with Swiss bank SBC War-

asset value per share of between HK\$5.58 and \$5.70.

China Resources Beijing

Land is also issuing 300m

shares, but in a price range

of HK\$2.18 to HK\$2.36. The

maximum would put the

stock on a prospective price/

earnings ratio of around

nine times. The price will be

fixed on Friday and dealing

in the shares is expected to

begin the following Friday.

shares are to be placed inter-

nationally, with the balance

sold to Hong Kong investors.

There is a "greenshoe" over-

allotment option on the IPO,

to 30 per cent of the total,

with a corresponding reduc-

Some 85 per cent of the

first half of 1996, reflecting slack demand and rising piracy in parts of the region. Asia has never been an easy area for multinational record companies. Japan is well established as the world's largest music market

after the US, but until recently other countries in the region were closed to foreign record companies because of restrictions on inward investment.

Piracy and

demand have

slowed growth

are crammed with Japanese

teenagers, browsing through

Japan, and other Asian

countries, together with that

of rival western record

chains Tower and Virgin.

helped turn Asia into one of

the most dynamic areas of

the global music market in

The multinational enter-

tainment groups that domi-

would show strong growth

for the rest of the decade.

However, music sales stalled

in several countries, includ-

ing Hong Kong, Singapore

and South Korea, during the

giant video screens.

the early 1990s.

he aisles of the gleam-

ing new HMV record

store on the top floor

sluggish

As those restrictions have been lifted the multinationals have moved in. Japan's Sony, PolyGram of the Netherlands, and the UK's EMI have built on existing interests in the region. Warner of the US and Germany's Bertelsmann have expanded their activities

These companies have had some success at introducing western superstars to Asia. notably Sony's Mariah Carey and EMI's Spice Girls. However, most of the market's



Home-grown talent: PolyGram signing Jacky Cheung

growth has been driven by indigenous artists, such as Dadawa, the Chinese singer signed to Warner, and Jacky Cheung, PolyGram's Hong Kong superstar known as The God of Songs".

'The record companies' expansion, coupled with that of HMV, Tower and Virgin, has led to improvements in Asian music distribution and to a crackdown on piracy. As a result, retail sales of albums and singles in Asia rose 87 per cent from \$5.15bn in 1991 to \$9.62bn in 1995, according to the International Federation of the Phonographic Industry. Global music sales rose 46 per cent over the same period, from \$27.17bn to \$39.68bn.

Asia is invariably cited as one of the most promising regions in analyses of the industry's long-term prospects. A recent study in Music Business International magazine predicted that its share of the global market would increase from 21.6 per cent in 1995 to 28.9 per cent by 2000, with North America's share falling from and western Europe's from

The first-half slowdown in Asian music sales has cast a The only Asian markets to show significant growth in the first six months of 1996 were the Philippines, Malaysia and Indonesia. Sales slowed in Japan, and fell in real terms in Hong Kong. Singapore, South Korea and Thailand.

It is too soon to tell whether this sluggishness will herald a prolonged slowdown. One positive sign is that economic growth in the region is still robust. Another is that the expansion of local music media, with MTV relaunching its Asian service to compete

with Mr Rupert Murdoch's Channel [V], should continue to stimulate interest in music, particularly among young consumers.

Further, there are still new markets for the multinationals to exploit. Poly-Gram and Bertelsmann took majority stakes in Indian companies last year, when investment restrictions were eased. Warner recently invested in Indonesia, and Sony is seeking government approval to follow suit.

he most promising market, China, may also be the hardest to crack. At present, all record companies operating there are under strict government control. Mr Norman Cheng, president of PolyGram Far East, is hopeful China will eventually open up to foreign investment, but is aware that "things can take a long time to happen there".

China has also emerged as one of the largest sources of pirated recordings, which are blamed for the first-half head of Sony Music Asia, 33.9 per cent to 30.2 per cent. blamed increasing availability of unauthorised recordings for the decline in legiticloud over those forecasts. mate music sales in Thailand and Hong Kong. Singapore has also seen legitimate sales fall, as

piracy has risen. The US government is taking a tough line on Asian music piracy, and European record companies have pressed the European Commission to follow suit. However, western executives are braced for a long struggle against the Asian cassette pirates. One said he feared they would be "a thorn in our sides" into the next cen-

Alice Rawsthorn

ASIA-PACIFIC NEWS DIGEST

## IIII forecasts flat results for year

Ishikawajima-Harima Heavy Industries, the Japanese aerospace, defence and engineering group, yesterday reported a slight fall in profits for the six months to September and forecast flat earnings for the full year. IHI's recurring profit before tax and extraordinary items fell 2.1 per cent from the first six months of last year, to Y11.06bn (\$97.5m), on almost flat turnover of Y396.22bn. Net profits, however, rose 8.3 per cent to Y6.56bn. It blamed the fall in recurring profits on the costs of streamlining its shipbuilding unit. A tiny sales increase was attributed to stronger demand for machinery from paper and pulp making companies. The group forecast a decline in sales of nearly 2 per cent, to Y840bn, in the year to March, because of the slowdown in orders for nuclear reactors. It expects this to be struck on a small increase in recurring profit, to Y25bn, and unchanged net profit of Y13bn. The figures represent a slight upgrading of earlier forecasts, from an initial Y22bn of recurring profit on sales of Y830bn. The revisions are based on higher than expected profits on exports, after the yen's depreciation, and increased engineering repair William Dawkins, Tolqyo

ANZ dismisses takeover talk Australia and New Zealand Banking group (ANZ), one of the country's "big four" commercial banks, yesterday denied a local newspaper report that it was considering a merger with London-based Standard Chartered.

"Whilst we do not normally comment on rumours and speculation regarding mergers or acquisitions, the very specific nature of the article requires this definite denial, it said. ANZ stressed it was not "investigating or

discussing" any merger plans with Standard Chartered. The speculation is the latest in a wave of bid rumours to bit the Australian banking sector. Under the previous Labor government, the four national banks were viewed as secure from takeover. However, the new conservative Liberal-National government has set up an inquiry into the industry. This is expected to review merger

constraints when it reports next year.

Already, ANZ and Westpac – which are seen as the most vulnerable to predators – have attracted takeover talk. ANZ shares closed 4 cents higher, at A\$7.20, while Westpac rose 13 cents to A\$6.89. Nikki Tatt, Sydner

#### Goodman Fielder sees upturn

Goodman Fielder, Australia's largest food group and the focus of institutional investor concerns because of its flat profits performance, has forecast an improvement. "The market will remain tough, but our success in strengthening the company thus far gives me confidence that we will improve our results in the coming year," Mr David Clarke, chairman, said. In 1995-96, Goodman made A\$100.7m (US\$79.7m) after tax but before abnormals.

## Export growth buoys NSK

NSK, Japan's largest manufacturer of ball bearings, more than doubled first-half pre-tax profits, helped by an improvement in productivity and costs and strong overseas demand. The company, which is strong in ball screws for machine tools, lifted parent pre-tax profits by 126 per cent to Y8.25bn (\$72.7m), while net profit rose 110 per cent to Y4.95bn. The gains came on sales up just 3 per cent to Y177.16bm

NSK said domestic business fell slightly, mainly because of the downturn in demand from electric machinery makers, which have shifted a considerable amount of their manufacturing overseas. However, demand from the rest of Asia was buoyant, lifting exports 15 per cent. For the full year, the company expects a rise in pre-tax profits to Y15bn on moderately higher sales of Michiyo Nakamoto, Tokyo

#### Output setback at Grasim

Grasim Industries, one of India's leading industrial companies, said output fell in the six months to September, except in the cement and sponge iron divisions.

Viscose staple fibre production in the half totalled-69,652 tonnes, down 8.39 per cent, while output of rayon grade wood pulp fell 6.56 per cent to 55,811 tonnes. Caustic soda output was 8.22 per cent lower at 52.795 tonnes. Cement output, however, totalled 2m tonnes, up 44 per cent; production of sponge from output rose 68 per cent to 381,157 tonnes. Analysts expect Grasim's net profit for the six months to September to fall 10-15 per cent, from Rsl.68bn (\$47.2m) a year earlier. AFX-Asia, Bombay

#### Shangri-La in Burma deal

Shangri-La Hotel, the Asian hotel and property development company, will pay \$12.1m for a 28 per cent stake in Burma's Traders Square, which has a contract with Burma's defence ministry to develop a commercial Ted Bardacke, Banakol complex in Rangoon.

#### MEDIOBAN CA

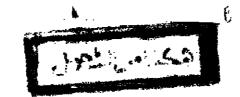
SOCIETÀ PER AZIONI PAID UP CAPITAL LIT. 476 BILLION - RESERVES LIT. 3.355.7 BILLION HEAD OFFICE: VIA FILODRAMMATICI 10. MILAN, ITALY

The Bank's Annual General Meeting, held in Milan on 28th October 1996, adopted the following BALANCE SHEET AS AT 30TH JUNE 1996

ASSETS		LIABILITIES
CASH AND DEPOSITS WITH CENTRAL BANKS AND POST OFFICES	<u>ند</u> 109,620,476	DEPOSITS FROM BANKS: La
COVERNMENT AND QUASI-COVERNMENT SECURITIES	Tolleight	Term deposits and deposits repayable up-
ELIGIBLE FOR REFINANCING AT CENTRAL BANKS	4,294,281,363,249	dez notice
AMOUNTS DUE FROM BANKS: LL		CUSTOMER DEPOSITS: Repsyable on demand 4.073.855.502
Deposits repsysble on demand 301,238.792.212		Term deposits and deposits repayable un-
Other accounts	1,947,644,324,942	der notice
LOANS AND ADVANCES TO CUSTOMERS	19.371.621.170.203	DEBT SECURITIES IN ISSUE.
DEBT SECURITIES ISSUED BY:	1701100111020	Bonds 9.262,509,532,802 Certificates of deposit 12,117,722,866,780
Public agencies		21.880,832,849,582
Benka 98.031.835.256		ACCRUED EXPENSES AND DEFERRED INCOME.
of which: Own mearities Lit. 55,087,300,000		
Financial companies		Accrued expenses 424,451,937,478 Deferred income 38,083,782,778
Other issuers	265,590,449,932	457,485,580,285
EQUITY INVESTMENTS		PROVISION FOR STAFF TERMINATION INDEMNITIES 23.237.759.509 PROVISION FOR TAXATION
•	3,370,993,885,327	COUNTY DIGING DECUTEDAN
INVESTMENTS IN GROUP UNDERTAKINGS	90,018,917,687	
TANGIBLE FIXED ASSETS	30,298,356,801	CENERAL BANKING RISKS PROVISION 600.650.000.000
OTHER ASSETS	203.671.184.586	SHARE CAPITAL COLORONS SHARE PREMIUMS COLORONS SHARE PREMIUMS
ACCRUED INCOME AND PREPAID EXPENSES:		FECAY DESCRIPTION
Accrued income		CTATHADU DECEDAMO
Prepaid exposures 62,772,083,392		DEVA - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -
of which: Discounts on bands		DETAILED PARTIES
issued Lis. 3,080,946,040	688.483,777.035	TRACTOR POST OFFICE AND ADDRESS OF THE PARTY
	30,262,658,050,208	\$0.987.658,050.208

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# invented telephone.

(ALSO transistor, laser, Telstar satellite, fibre-optic cable, cellular). Have won awards. (Nobel etc.)

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We make the things that make communications work."

## COMPANIES AND FINANCE: UK

## TI faces Forsheda opposition

Disgruntled investors in Forsheda, the Swedish polymer engineering company, said yesterday that owners of nearly 30 per cent of the company were opposed to the proposed £189m (\$295m) takeover by the UK's TI Group.

Henderson Investors. which controls 12.8 per cent of Forsheda's quoted B shares, said four other institutional investors were planning to reject TI's cash offer of SKr225 (\$34) a share.

TI, which is also offering SKr247.5 a share for the unlisted A shares, indicated that its advisers were pre-

try to resolve the dispute. although it reiterated the offer was "full and fair".

The company has already secured irrevocable undertakings to accept the bid from Agora Group, Forshecompany, which accounts seek talks with Forsheda for 63.6 per cent of the A shares and 20.6 per cent of the issued share capital.

However, Mr Andrew McNally, a fund manager at Henderson, said dissident investors could prevent Ti from achieving the 90 per cent backing it needed to force minority investors to sell their shares and to consolidate Forsheda's cash

pared to meet Henderson to flow in its own accounts. "We have been contacted

by a number of overseas investors who, like us, feel that TT's bid does not fully reflect the value of the group," he added.

Henderson and other da's family-owned holding investors are expected to. and SBC Warburg, TI's advisers, to discuss the possibility of an increased bid before the offer period expires next week.

Opposition to the Forsheda deal is expected to be discussed today at TI's annual strategy meeting, at which the board and senior operating managers are considering the company's develop-

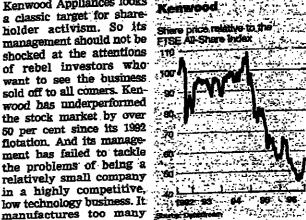
next three years. Directors attending the two-day meeting will hear that TI is considering bolt-on acquisitions in each of its three divisions - Bundy, John Crane and Dowty.

Particular emphasis is expected on deals to enhance TT's presence in refrigeration tubing and in polymer engineering. Forsheda would more than double the size of TI's polymer business.

The UK group emphasised that its offer for the listed shares represented a 39 per cent premium to the share price at the end of last month. The B shares yester-day fell SKr0.5 to SKr223.5.

## LEX COMMENT Kenwood

Kenwood Appliances looks a classic target for shareholder activism. So its management should not be shocked at the attentions of rebel investors who want to see the business sold off to all comers. Kenwood has underperformed the stock market by over 50 per cent since its 1992 flotation. And its management has failed to tackle the problems of being a relatively small company in a highly competitive, low technology business. It:



products for too many countries. The result has been poor control of costs and working capital. Nonetheless, putting Kenwood on the auction block looks unlikely to achieve optimum results. Kenwood's problems are hardly new, so likely buyers would have been alerted many months ago. Moreover, Kenwood is undergoing management changes. Mr David Nash, who narrowly missed the chief executive job at Grand Metropolitan, has come on board as chairman and is unlikely to allow the performance to continue drifting. Kenwood is already undergoing a much-needed review of its production framework - previously run like separate flefdoms in the UK, Italy and China - and there should be plenty of scope for cutting costs. Given Kenwood's lowly prospective p/e ratio of 9, a sensible rationalisation programme should generate substantial returns.

The new management team may be unable to deliver, but it is credible enough to deserve a chance. And at least the rebel yells will encourage some urgency.

## Kepit's holders opt for cash

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Kleinwort European Privatisation Investment Trust, the £500m (\$806m) fund, announced yesterday that the majority of sharebolders had opted to receive their capital in cash as they voted almost unanimously for its liquidation.

Mr Shane Ross, chairman said: "We think we have really got the last penny for shareholders." It is estimated that about 78 per cent of the shares are being exchanged for cash.

The majority remaining have opted for the Kleinwort Benson European Privatisation Trust (Kbept), which will receive some

6 mths to June 30 6 mths to Aug 31 9 mths to Sept 30

13.3

RESULTS

£20m will go to the M&G European & General fund. These figures have to be finalised.

The 77,000 shareholders registered a preference by last Saturday. A senior Kepit source

said: "This was not the result that the managers wanted at all. They wanted to unitise the entire trust." Shareholders will receive cash on about November 25, while the company's liquida-

tion will take about a year. Kbept will trade on a similar, but slightly broader remit, than Kepit, investing in European companies privatised in the past 10 years, compared to Kepit's five.

## UniChem makes cost cuts pledge

By Christopher Price

UniChem said yesterday it was confident of beating the "conservative" synergy savings of £20m (\$31m) a year should its £641m bid for Lloyds Chemists, the high street retailer, be successful.

The pledge, in a letter to shareholders, comes 10 days after the company relaunched its campaign to take over Lloyds following clearance from the government for its bid and that of its rival. Gehe of Germany. Gehe has until November 8

Mr Geoffrey Cooper, Uni-Chem finance director, defended the decision not to advise shareholders of the

to respond.

(5.9 ) (11.4 ) (1.64 ) (1.1 ) (3.29L ) (2.77 ) (1.01 )

(5.85 ) (2.79 ) (4.2 )

3.73 2.54L†

ings if the company wins the battle for Lloyds.

"This bid is about the long-term value to UniChem shareholders, not about what happens just in year the cost savings would "result in materially enhanced earnings per share after the first year".

Gehe refused to comment yesterday, but analysts said the German group had everything to gain from delaying its bid in the hope that UniChem's cash and share offer would be further undermined by a fall in its share price. At yesterdays' closing price of 250%p, the offer was worth £641.5m.

## **Kenwood waits** on EGM call

Kenwood Appliances yesterday said it had not yet heard directly from UK Active Value Fund about its call for an extraordinary

On Sunday, UAVF, jointly headed by the South African entrepreneurs Mr Julian Treger and Mr Brian Myerson, issued a release calling for the Kenwood board to put the group up for sale. UAVF owns 9 per cent of the household goods manufacturer.

Kenwood said it had only earnt of the move through the Sunday newspapers. It said it would not make any further comment until it was approached directly.

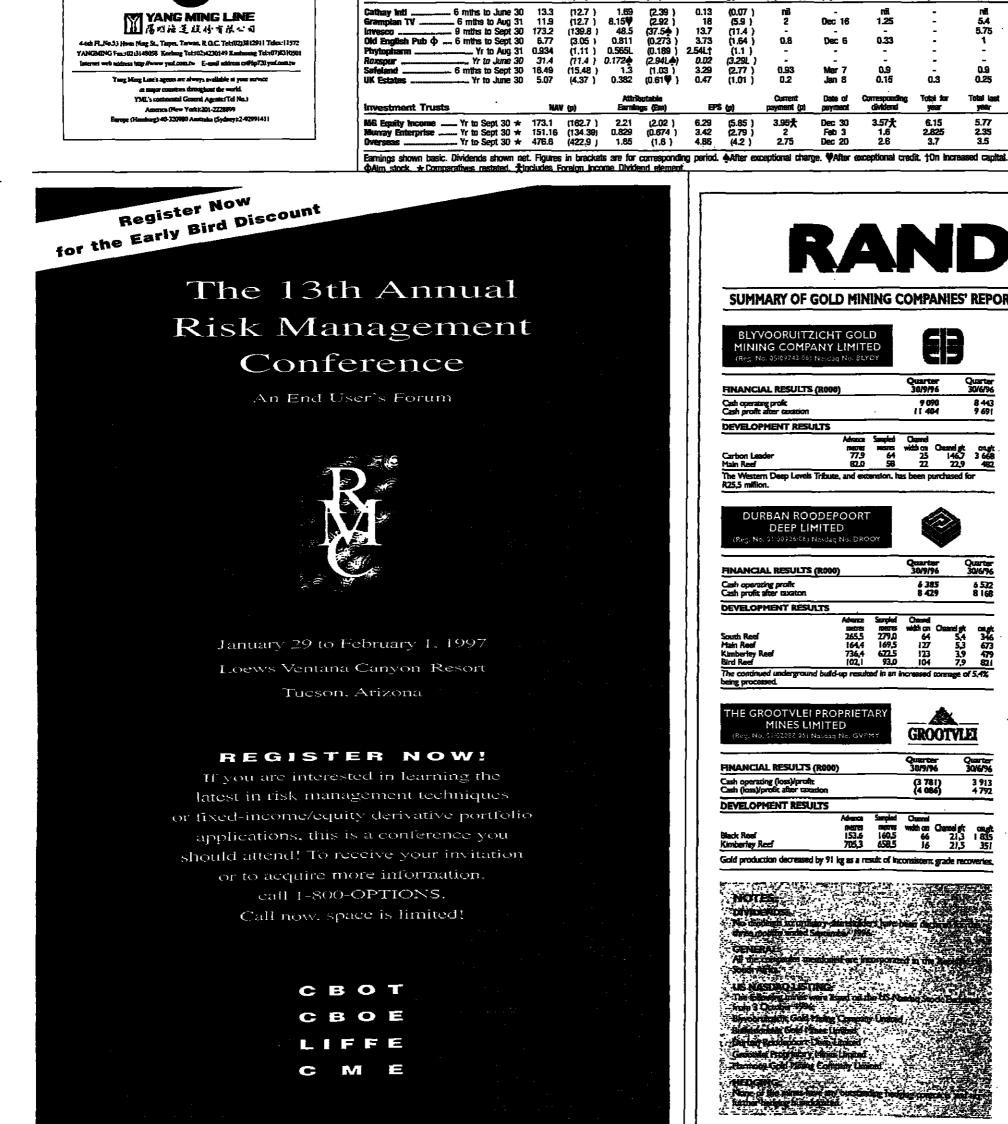
UAVF said Kenwood "lacks highly rated manage-ment with marketing flair, has inefficient production systems, faces high distribution and administrative costs and has a worsening balance sheet. The fund has a reputation for tough handling of poor performers. including the property developer Greycoat, where it recently forced an extraordinary meeting.

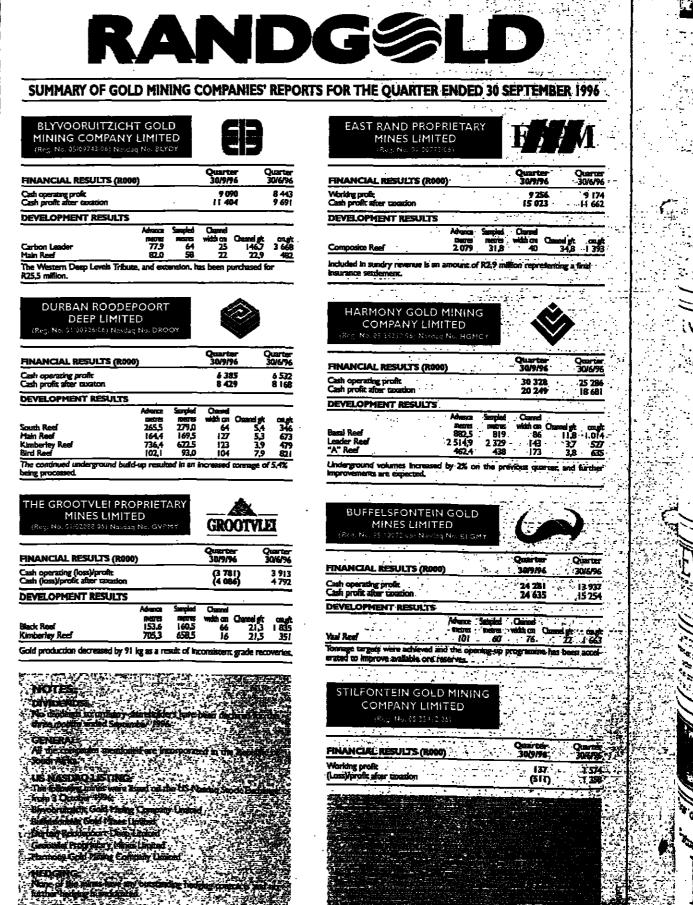
Kenwood shares tumbled below 200p this summer. after peaking at more than 380p at the beginning of 1994. Yesterday, they closed up 8%-p to 250%-p ∴

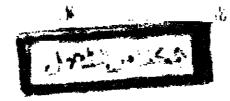
Analysts expect institu-tional shareholders will give the new management time.

# 060P

NON







#### **COMPANIES AND FINANCE:** UK

## Biotechnology | The spark that lights up world interest 'angels' fund is launched

By Daniel Green

September ...

Allery Park Control

Britain's first biotechnology business angels" fund is being launched today. Backed by Mr Chris Evans, the biotechnology entrepreneur behind three companies already quoted on the stock market, the fund aims to put up to £50m (\$78m) into university and hospital science.

The fund intends to plug a gap in UK venture capital. highlighted yesterday in a Bank of England report. which leaves technology start-up companies starved

Conventional venture capital usually invests in lower risk management buy-outs. The few specialist biotechnology funds in the UK invest mostly in the US and tend to avoid scientists who have not already written a husiness plan.

The "angels" fund has two components. Merlin Ventures, majority owned by Mr companies, wealthy individ-Evans, will identify interesting science projects in UK universities, and the Merlin Fund will invest City of Lon-

don money in companies started by Merlin Ven-

Merlin Ventures aims to create viable companies by bringing together potential new medicines and technologies from different universities and hospitals.

It will invest an average of about £250,000 in each start-up. The money will come from Mr Evans and his associates who will also help write the business plans, form the management structures and set the commercial

They will also try to bring together science and scientists to create companies which have "portfolios" of new products under development. This is designed to spread risk and is the normal structure for biotechnology and pharmaceuticals

In the US, home to most of the world's biotechnology ual "business angels" are an established source of funds for high technology start-up

Yesterday's £766m (\$1.2bn) bid for Northern Electric, the north-east of England Northern was about "strat-

electricity company, may herald the beginning of another wave of takeovers in the UK electricity sector.

Northern is one of five of the original 12 regional electricity companies in England and Wales that remain independent. "The Northern bid is the opening shot in a renewed wave of corporate activity," said Mr Michael Cohen, utilities analyst at Salomon Brothers.

Three regional electricity companies - Seeboard. South Western and Midlands - have already fallen to US bidders. Mr Cohen said he expected more to follow.

"US companies are looking at the UK as the most advanced privatised utilities market in the world. Northern is a foothold in the UK as well as Europe."

CE Electric UK, the bidder for Northern, is a partner-ship between CalEnergy, a US independent generator, and its largest shareholder Peter Kiewit Sons, a US construction group. CalEnergy owns 70 per cent of CE Elec-

Mr David L Sokol, Cal-Energy's chairman and chief executive, said that while financial considerations

Northern was about "strat-egy". "There is an acceleration in deregulation around the world. There are enormous opportunities in supply and distribution." He also sees opportunities to use Northern's supply exper-tise in the US market, itself

in the throes of deregulation. Mr David Morris, chairman of Northern, said yesterday it was nice to hear that CalEnergy valued his company's expertise so highly. "I have no doubt that they are reputable people and serious players."

However, he said the bot-

tom line was value. "The value CalEnergy has in mind is slightly different from where they started. It's difficult to see a basis for talking." He suggests that when the two had talks last week CalEnergy mentioned a figure of about 700p, not the 630p now being offered. Mr Sokol countered that Cal-Energy did not make a formal offer and that 630p "fully valued" Northern.

While the share price jumped from 520p to 648p, some utilities analysts thought 630p was fair. Merrill Lynch said the offer, adjusted for Northern's capital restructuring in the wake were important the bid for of Trafalgar House's abortive issue, the distribution of

**Current situation** Share price relative to the FTSE All-Share index Pre-tex profits (2m) NORTHERN ELECTRIC 150

Northern share at £11.06.

£11 a share bid, valued each shares in National Grid and at all 10 bids for UK electrica 63%p special dividend from ity companies from the basis Northern has returned the proceeds of the Grid nearly £540m to shareholders demerger. The final tranche since it fought off Trafalgar in 1995. It has done this package will come in Janu-

through a 100p special divi-dend, a preference share dividend of 56%p.

cash flow (earnings before of its shareholder value interest, tax, depreciation and amortisation) would be needed to pay off the bids. This produced a range of 5.6 SBC Warburg has looked years to 8.3 years with an stock market comparators".

Distribution

average of 6.8. At 630p CalEnergy's bid came in at 6.8 years. "The price is fair." said Mr Nick Pink, the

bank's utilities analyst. However, other analysts say that if CalEnergy wants a trouble-free acquisition it will have to pay a little

As part of Northern's defence, Mr Morris said its interim results, brought forward, would show it was doing better than many assumed. Analysts had been too conservative in their forecasts of gearing, he said. indicating it would be lower than the 125-130 per cent assumed by the market.

Mr Morris agreed that the company could not embark upon another "return of value" exercise. "There isn't going to be an enormous cash handback to shareholders," he said. "But there are other things such as what management is doing to maximise shareholder value through policy and action."

The bid will be considered by the government and by Professor Stephen Littlechild, the industry regulator. Most observers believe it will be waved through although Mr Pink dissented because "Littlechild needs

## Middlesex casts

Middlesex Holdings, the diversified company which specialises in commodities in the former Soviet Union. joined the main market yesterday as part of a push to attract more institutional investors for the next stage of development.

The three-year-old company's activities include a financial services division as well as ventures in the steel. oil, coal and gold industries.

Lord David Owen, who became chairman a year ago, said the company had succeeded in Russia because of the strength of its personal relationships.

Mr Masoud Alikhani, chief executive and Middlesex's largest shareholder with a 12 per cent stake, had been working in the area for three years prior to the formation of the company, which was named after an English

Lord Owen said it was extraordinary opportunities" in Russia which had

The company sometimes operates via pre-financed deals to facilitate the export of the overcapacity in Russia's large manufacturing

The shares unchanged at 6%p, valuing the company at £40.4m.

## investor net wider

By Jane Martinson

county cricket club.

attracted him to Middlesex.

industries.

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£75,000,000

Subordinated Floating Rate Notes 2000

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 28th October, 1996 to 28th January, 1997 the tollowing information will apply.

1. Rate of Interest 6.1875% per annum 2. Interest Amount payable on Interest Per £5,000 nominal or £778.31 Per £50,000 nominal

Interest Payment

28th January, 1997

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#### INTERNATIONAL CAPITAL MARKETS

## Brazil seeks \$750m in first global issue

#### INTERNATIONAL BONDS

By Samer Iskandar

**Falling** government bond markets yesterday failed to stem the flow of new eurobond issues, as borrowers inundated the primary market with new

Brazil returned to the dollar sector for the first time since 1982, launching its first global issue - \$750m of fiveyear notes. Mr Gustavo Franco, director of the international department at the central bank, said the issue was "the big test" for the country. "Today we are exposing ourselves to the judgment of the market."

Mr Franco said that with nearly \$60bn in foreign reserves - covering a whole year of imports - the country did not need the money. "The transaction will mainly serve the private sector," he said. "By establishing a sovereign benchmark, we will of Brazilian exposure".

give corporate borrowers tional financing.'

in the middle of the correct itself over time". announced range of 255 basis points to 275 basis points over US Treasuries, "to take account of market conditions". But rival banks still Mexico and Argentina, whose similar bonds trade at more generous spreads - 335 profit.

tively SBC Warburg said the pricing had "more to do with Brazilian economic fundamentals than a rating perspective". It also pointed out that the strong Asian demand, about 40 per cent of the amount, consisted mainly of "first-time buyers

and 408 basis points respec-

Mr Franco also said the access to cheaper interna- ratings of B1 and B+ by Moody's and S&P were "per-J. P. Morgan, joint lead haps lagging behind the eco-European manager with SBC Warburg, nomic situation", but presaid the pricing had been set dicted this situation "should

> Deutsche Pfandbrief, the German bank, launched two issues, the larger of which consisted of profit-sharing certificates maturing in 2012. described the issue as "over- It pays a coupon of 7.65 per priced" or "too tight" - it cent, which is scrapped if cheapened by the end of the the bank makes losses in day to a spread of about 280 any particular fiscal year. points. They compared it to Unpaid coupons would be paid retroactively once the institution returns into

> > This structure allows the funds to qualify as tier-two capital, raising DePfa's capital ratio more than 2 percentage points to 14 per cent - the tier-one capital ratio stands at 7 per cent.

Mr Frank Rühland, DePfa treasurer, said the deal was the "first ever underwritten by a single bank", Commerz- related bullishness. The bank, which will be holding

distant.	<b>.</b>	Compon %	Price	Maturity	Fees %	Spread bp	Book-runner
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Wil Bank Intl. Cayman	300bn	7.50	101,404		1.875	• -	IMI Luxembourg
PESEJAS		17:1	· · · · · · · · ·		روز در		A Company of the Comp
lordic investment bank(g)	14bn	7.70	101.45	Dec 2006	1.75	_	Banco Bilbao Vizcaya
redietbank Inti Finance(h)	55	5.00	101.70		2.00		Kredietbank

thereafter, s) Short 1st coupon.

several days, until the whole amount has filtered through

to final investors. Elsewhere, the lira sector was still supported by Emu-World Bank and Crédit lead to other increases for ling after five-years.

the paper on its books for Local de France both recently-launched issues. increased existing issues, via lead manager Credito Italiano, while IMI Bank raised L300bn for its own account. Credito Italiano said demand was still strong, which could

very active, with Japan Highway and Hitachi Credit tapping the dollar sector, while Nippon Telephone &

A rising dollar failed to help bonds hold on to gains

made overnight in Asian and

European trading. Early yes-

terday morning the dollar

rose to a 42-week high

against the yen at Y114.43

before slipping back to

Y114.20 by early afternoon. The dollar slipped against

the D-Mark, trading at

DM1.5175 compared with

DM1.5207 late on Friday.

# Gemms show big variations in profitability

By Conner Middelmann.

The performances of some gilt-edged market makers the official dealers in UK government debt - strengthened in 1995, against the previous year, their latest profit-and-loss accounts show.

The Gemms posted heavy losses in 1994, and the latest figures show their profitability as highly variable. Results ranged from a pretax profit of £28.9m to a loss of £9.9m.

Not all 18 Gemms have filed their annual profit-andloss accounts with Companies House, but so far only seven Gemms appear to have made any money in 1995, despite the marked improvement in underlying market conditions.

SBC Warburg put in the worst performance, posting a loss of 199m to follow its 1571m in 1994. 16.9m deficit of 1994. Observ- Dealers stres ers put its weak performance down to staff departures and uncertainty surrounding Swiss Bank Corporation's merger with S.G. Warburg last July.

Since the merger, the bank has shifted its focus away from speculative proprietary trading toward a greater emphasis on customer business. The associated costs are thought to have contribnted to the bank's losses.

"SBC Warburg has initiated a number of changes within the Gemm business since the merger with S.G. Warburg," the bank

"We are strengthening our already significant market share, which involves one-off costs such as applying leading-edge risk management technology. Our re-engineering of this business will result in improved returns to

shareholders and a higher degree of customer service. At the other end of the spectrum, Salomon Brothers generated a pre-tax profit of 628.9m, after making £5.6m

in 1994 when it ranked sec-

ond in the profitability league tables. It is followed by BZW, which posted a pre-tax profit of £21.9m for 1995. This represents a sharp recovery from 1994, when it lost c19.2m. largely as a result of its exposure to sterling bonds issued by Confederation Life, the Canadian insurer which collapsed in

August 1994. Merrill Lynch ranks third for 1995, with pre-tax profits of £6.4m, after a a loss of £2.9m in the previous year. It is followed by by HSBC Greenwell with a profit of 25.9m, to follow a loss of

Dealers stress that these numbers are difficult to compare. Different Gemms include different types of sterling business in their accounts - for instance eurobonds or proprietary trading. Also Gemms have varying year-ends - most are in December, with some in November or March.

In addition, while some houses include the operating costs of their gilt operations in their profit-and-loss accounts, others do not.

The current year is not expected to be much more profitable for gilt traders as gilt trading has been choppy for much of the year. How-ever, the introduction in January of a market in gilt repos is thought to have increased international investor participation, which could raise revenues at some banks, especially the more global operators.

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## Europeans underperform as prices drift lower

## GOVERNMENT BONDS

By Richard Lapper, Capital Markets Editor

Government bond prices yesterday drifted lower, with BTPs and bunds had "run high-yielding European out of steam" and that there bonds underperforming. And had been some selling in the as the market continued to afternoon. digest the implications of last week's comments by Bundesbank officials that further interest rate cuts are unlikely, a mild sell-off in the shorter-dated paper led to some flattening of the German vield curve.

■ In the London futures

7.02 8.72 7.70 8.73 9.90 4.19 8.47 7.03 8.45 8.76 7.99

spread plays by US instituions designed to test the 200 basis point range between

Having reached an intraday high of 124.35, the ian into Spanish bonds. December contract lost nearly a point in the afternoon before settling at day at 227 basis points, 4 basis points wider. Mr Martin Whitaker, broker with

noon trading. Dealers said lett and Tokyo, said newswire reports had revived concern about Italy's deficit targets and encouraged investors to lighten their positions. Some investors were reported to be favouring switches from Ital-

■ German bonds closed lower with Liffe's December 123.25, down 0.83. The 10-year yield spread ended the 99.41. The December euromark future settled at 99.81. down 0.03, while contracts for back months were harder Credit Lyonnais Rouse, said hit. In the cash market tify it to their trustees." His-US houses had been "aggresyields on benchmark three-

with heavy selling of the sive sellers". Mr Alex year paper rose 6 basis stayed below 6 per cent for December contract in after. Cooper, manager with Tuj-points, while the 10-year long periods, he said. benchmark rose 2 basis points to 6.03. "Players are becoming more accustomed chances of meeting budget to the idea that we have reached the end of the easing cycle," said Mr Cooper, at Tullett and Tokyo. Mr Michael Burke, senior economist at Citibank, said the overall level of German 10year bond yields were inhibiting some German institutions from buying bunds.

to the bund market have

been barred from doing any-

thing because they can't jus-

"People who have a moderately constructive approach

■ UK, French and Spanish bonds also drifted lower in the afternoon. On Liffe the December long gilt settled at 109强, down %. At Matif, the December notional contract settled at 126,28, down 0,20,

**■** US Treasury prices were lower in early trading yesterday despite gains in the the dollar against the yen. Near midday, the benchmark 30year Treasury was off 🚡 at 98% to yield 6.825 per cent, while the two-year note lost ≟ at 99∰, yielding 5.909 per cent. The December 30-year torically, bund yields rarely future slipped it to 110 is.

Otherwise, attention was focused on data due out this week that could move bonds out of the narrow range in which they have traded since the start of this month. Especially important should be today's release of data on employer costs.

BENCHMAR		E BUND	FUTURE	S OPTIC	NS (LIFT	E) DM250	000 pol	ts of 10	00%		. FTSE Actuar	ies G	ovt. Se	curi	ies			:			-	•	٠.	UK In	dices						
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## THE NETHERLANDS

## European business hub

The stock of foreign capital employed in Dutch business represents more than a quarter of the country's gross domestic product, compared with a European Union average of about half that, writes Gordon Cramb

Research by the Central

Planning Bureau, a state-

funded forecasting unit,

finds the Dutch market char-

acterised by "a lack of finan-cing opportunities for poten-tial market entrants.

aggressive pricing to dis-

courage new players by com-

panies that have incurred

high fixed costs in the past,

and tacit agreements among

producers at the consumer's

posed to change.

expense". This is now sup-

One motive force is the

presence in the three-party

ruling coalition, since 1994,

of the free market VVD. It

has campaigned for competi-

tion and propelled a reform

of the country's generous

"We have reached a new

consensus." declares Mr

Frits Bolkestein, VVD parlia-

mentary leader. "The old one

was Keynesian, where the

government has to solve all

problems. The new one is

supply-oriented, with a mar-

ket approach and financial

Mr Bolkestein is a contro-

versial figure in Dutch poli-

tics, the nearest thing the

mainstream gets to a Euro-

sceptic. In the past month,

the controversy surrounding

him has focused on a differ-

It emerged that as a non-

executive director of the

local subsidiary of Merck,

the US pharmaceutical com-

pany, he lobbied Mrs Els

Borst, health minister, on

licences and health service

Amid accusations that this

use of his parliamentary

position, the attair has

brought to the surface ten-

sions in the coalition which

also includes the social dem-

ocratic PvdA of Mr Wim

Kok, prime minister, and the

IN THIS SURVEY

targets pose few problems

Stock market: Strategy

● The economy: Emu

• inward investment

Wim Duisenberg, EMI

Transport infrastructure:

gained political endorsement Transport deals: Gust of

Several big projects have

AT&T-Unisource NCM

from Amsterdam

Production Editor.

Philip Sanders

Perspectives: Two lists

merger activity

Page 3

An unrivalled distribution

for a single entity

network

prices for its drugs.

reformist D66.

notes acidly.

ent issue.

social security provisions.

okker, the Dutch aerospace company, has purge price fixing agree-been grounded virtuments. ally all year and Philips, Europe's biggest maker of electronics goods, is suffering a profits short-circuit.

Yet, while these two corporate agonies have together cost several thousand Dutch iobs, many more are being created - at a rate not seen since the 1960s - as the Netherlands experiences a consumer-led mini-boom and multinationals position themselves for European monetary union.

The guilder looks certain to join the single currency group, if the project proceeds on schedule in little more than two years. This expectation was reinforced last month by The Hague's budget for 1997, the year on which Emu eligibility will be

Government debt levels remain out of line but are coming down, with a public borrowing requirement 4.5 per cent lower next year at Fl 33.5bn. Mr Gerrit Zalm, finance minister, was at the same time able to cut corporate taxation by about FI 1bn and seek to regain specialist deal-making business recently lost to locations such as Belgium and Ireland.

Multinationals are being offered an effective tax rate of just 7 per cent on profits derived from, say, an acquisition paid for through a Dutch holding company.

The Netherlands has long attracted relatively large amounts of inward direct investment. Indeed, the stock of foreign capital employed in Dutch business represents more than a quar- amounted to an improper the insurance and banking ter of the country's gross domestic product, compared with a European Union average of about half that.

About half the total now resides in the services sector. Apart from traditional tertiary businesses such as the shipping lines which from Rotterdam - still the world's largest port - numerous US software houses now use the country as a base for call centres which provide customer support for users around Europe.

The country, nevertheless, experiences a large net capital outflow each year, about half of which stems from direct investment by its own internationally-minded corporate sector in search of opportunities beyond a home market of just 15.5m people. At the same time, that home market is both spending more, and being better served. Job creation. at 110,000 posts of at least 12 hours a week, this year, is improving real disposable incomes in Dutch households, even though wage rises trail behind an already modest inflation rate of barely 2 per cent.

Deregulation has this year removed most restrictions on shop opening hours, while telecommunications will be opened to full competition from mid-1997. A more government rigorous approach to competition policy aims to lower entry barthey were overshadowed by a new round of job losses at the Philips electronics group, flagship of Dutch industry. While Fokker needed an outright buyer, Philips in recent months began to acknowledge that in various sectors it had to find partners operating in lower cost countries in order to stay competitive.

Fokker collapsed Daimler-Benz of Germany, its majority owner, halted cash support. Philips is meanwhile running down Grundig, its loss-making German subsidiary. The two were among the largest cross-border industrial investments in each direction - between neighbours never entirely reconciled riers to the professions and since the Netherlands was liberated from Nazi occupa

> While Germany takes a quarter of all Dutch exports, the German share of total inward direct investment in the Netherlands is just some 9 per cent, and Dutch outward commitments accord Germany only a similar proportion.

The question gains poignancy because of European unification. In an opinion poll this June commissioned by the University of Amster dam and the NRC Handels blad, the main afternoon daily, nearly two-thirds of respondents identified Germany as the country on which the Netherlands was most dependent. An equally large number wanted to retain a Dutch veto on EU decision-making; almost 60 per cent feared that integration would dilute social security: and fewer than half declared themselves support-

ers of a single currency. Emu is likely to have costs as well as benefits for the Netherlands. The financial services sector, though enthusiastic, is vulnerable to a seepage of custom. Its internationally oriented industrial and commercial clients will be amenable to services offered by financial institutions based elsewhere in the euro zone, while Dutch banks and insurers may have to struggle harder to break national loyalties in other probable participant states such as Germany and

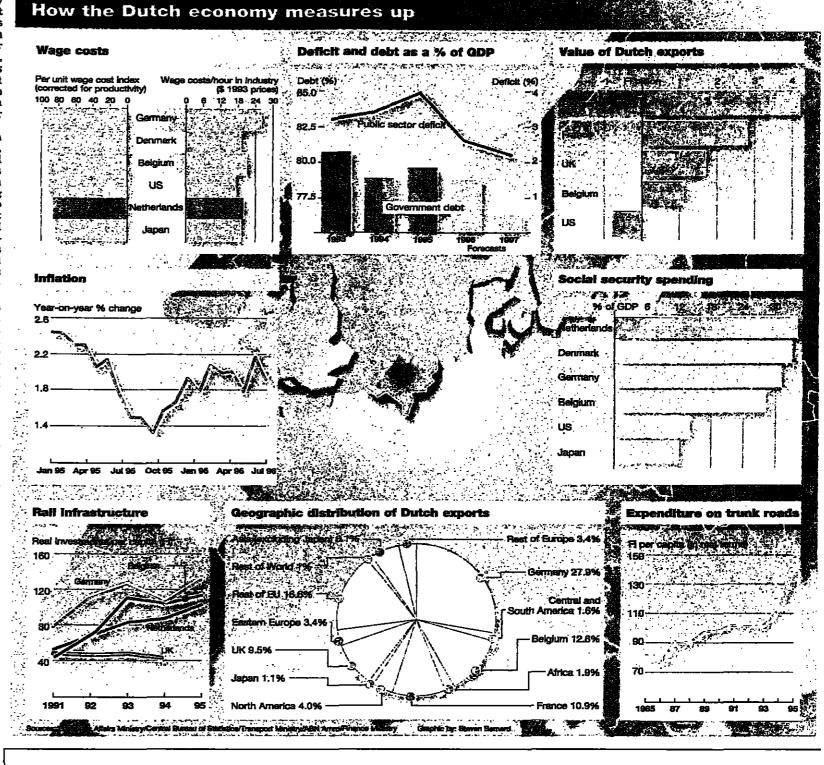
"I think that's true," says Mrs Saskia van Opijnen, company secretary of Fortis. combine with twin headquarters in Brus Utrecht. She adds that "for Fortis, one can also argue that because it is not only Dutch, the freedom of services might be a great oppor-

Mr Aad Jacobs, chairman "If I had spoken in favour of a failing company like of ING, the Dutch financial services group, insists: "For-Fokker I would have been applauded," Mr Bolkestein eign companies will have a tough time in penetrating As talks ground on last the Dutch market - because week between the receivers it is so open and very competitive." But he warns that of the aircraft maker and Korea's Samsung, "all companies have to lower their cost base."

> The Dutch government is used to the responsibilities as well as the benefits of EU membership, but will have to work harder to explain these now that the country is a net contributor to Brussels coffers.

> Premier Kok is today due to open Schiphol's World Trade Centre, an office complex at the state-run airport which represents part of its effort to secure a slot as a European "mainport". His officials are meanwhile preparing for the country again to assume the rotating EU presidency from January.

An Amsterdam summit is intended to put the finishing touches to Emu planning. The last time the Dutch were in the chair, the monetary union quest began and a small southern city called Maastricht found itself emblazoned on the modern European map.



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and telecommunications. Furthermore, it describes

are important when considering a location for an

initial corporate investment or for expansion.

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## NORTHERN IRELAND

## The only game in town

While prospects for the multi-party talks look increasingly fraught, the politicians are still at the table, writes John Murray Brown

What a difference a year can make. Less than 12 months ago, Northern Ireland was basking in the reflected Belfast was preparing for its second bumper Christmas in succession. Tourists were arriving in record numbers believed they had seen the last of the violence that had disfigured the province for more than 25 years.

Surveying the same landscape today, it is easy to be despondent. Divisions between Protestant and Roman Catholic communimer's marching season have seen extremists on both sides inflame sectarian

February's massive explosion in London's Docklands signalled the end of the IRA's 18-month ceasefire. With the bomb attack on the at Lisburn earlier this month, the IRA shattered any lingering hopes it might be contemplating an early restoration. Road barriers are back in place in central Belfast. Soldiers again patrol

Over the summer tensions between the two communities were exacerbated by the stand-off at Drumcree where police forced protestors off the streets to allow a protestant Orange march through a Catholic housing estate. The event has coloured subsequent developments.

Against this background, few hold out much hope for the multi-party talks at Stormont. Yet the politicians glory of US President Bill remain at the table. British Clinton's triumphant visit. ministers point out that no The guns were still silent. party has yet walked out, although they voice disappointment at the slow progress. The vexed issue of the decommissioning of terrorist along with promises of new arms has still to be resolved investment. Many must have but before Christmas, London and Dublin plan to present legislation providing a limited terrorist amnesty.

No one underestimates the difficulties. Even with 18 months of ceasefire, the political nature of the dispute - rival claims of those wishing to remain within ties appear more bitter than the UK and those espousing ever. Disputes over the sum- a united Ireland - remains as intractable as ever. There are positive develop-

republican areas, there is little taste for a return to war. Belfast's inner city is starting to reap the benefits of the government's policy of targeting social need. These British army headquarters areas will suffer most from a resumption of full-scale inter-communal violence.

The end of the IRA ceasefire put pressure on loyalist paramilitaries to retaliate. But their political representatives, the Progressive Unionists and Ulster Democratic party, have so far showed restraint, even expressing willingness to engage with republicans.

By contrast, the maininsist the IRA first take some of its arms out of com-



Has it all gone wrong? The vexed issue of the decommissioning of terrorist arms has still to be resolved. But no party has yet walked out of the talks

ments. Even in hardline real intransigent unionists ing a meeting at Stormont ignore. Only last week, are not in the working class estates but in the middle class golf clubs."

There are signs inward investors are prepared to take a long-term view. Only last week AVX, a US electronics company announced a £45m expansion of its Coleraine plant. The Industrial Development Board reported a record year for investment in 1995/96, raising its jobs target for the next three years from 12,000 to 18,000. Despite a short-term blow to tourism, three new hotels are going up in Belfast.

Some sections of the business community, however, stream unionist parties still have voiced concern over the political impasse. In September, a group of industry and mission. As one Catholic labour leaders took the businessman put it: "The unprecedented step of hold-

with all the parties to urge upon them the need for a settlement.

The broad elements of that deal have been conceded by both traditions: a restoration of a devolved administration in exchange for an added Irish dimension through the setting up of cross-border institutional links with the Irish Republic. The prospects for progress

depend as much on events beyond Northern Ireland as at home. The US administration - critical in persuading Fine Gael-led coalition has the IRA to call its first ceasefire - has visibly cooled towards the republicans with the resumption of vio-

While the presidential election campaign is on, the emerges victorious. Sinn Irish lobby will be hard to Féin may find it has a more

Vice-President Al Gore told an audience of Irish-American businessmen in New York that "the President and I will do all we can to encourage those who would lay down their arms and walk on the path of peace". But with the election over,

In Ireland, too, a general election next year could change the dynamics of the peace process. John Bruton's enjoyed cross-party support on the peace process.

Ireland may well slip down

the list of priorities for a

new administration.

But if the main opposition Fianna Fail party, historically the guardian of constitutional republicanism, sympathetic ear in Dublin. flirted with Labour.

A change of government in London is perhaps more likely. Labour has hitherto pursued a bipartisan approach. But Majorie Mowlam, the shadow Northern Ireland secretary, has indicated Labour might be more flexible on the terms for Sinn Féin's admittance to talks, if the IRA were to call a new ceasefire.

Ireland, however, is unlikely to be a key issue in the British election. Prime Minister John Major has refused to let party advantage interfere with his stewardship of the peace process. But his wafer thin majority in the House of Commons, means he is wary of alienating the Unionists, who Unionists. As polling day put it: "They're the only although loosely allied to the Conservatives, have recently approaches, prospects of a game in town".

breakthrough will recede as politicians take entrenched positions. The government's approach has hitherto been Uncertainty prevails in the one of incremental gains. A nationalist camp too. Sinn pre-election surprise on Northern Ireland has been Féin achieved an impressive ruled out, particularly after 15 per cent of the vote in the the announcement that Sir special election in May to

Patrick Mayhew, the Northelect delegates for the negoern Ireland secretary is not tiations. The party could to contest his seat. well overtake the moderate More critical could be the nationalist Social Democratic and Labour party. fall-out for the Northern Ireland parties. On the emerging as official interlocutor of the Catholic minorunionist side, the arrival of ity. This might play into the the small fringe loyalist parties represents a further hands of moderates who fragmentation of the protesespouse the political route. tant vote. As ever, David Trimble's Ulster Unionists, the province's largest party. is anxious not to be outflanked by the Rev Ian Paisley's hardline Democratic But as one British official

Whatever the response, Sinn Prospects for the talks look increasingly fraught.

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**Labour policy:** by John Kampfner

## Business as usual

Labour has made clear it would not alter principles guiding the peace process

What, if anything, will change in Ulster if Labour wins the next general election in the UK? Indeed, within a year, the British and Irish governments driving the search for a new settlement for Northern Ireland may well have changed.

Labour insists that Tony Blair, as prime minister, will Adams, the Sinn Fein presinot deviate from the principles that have guided the Anglo-irish process for the past decade. Since being appointed by Mr Blair as shadow Northern Ireland secretary in 1994. Marjorie Mowlam has steered Labour along a firmly bipartisan approach with the ruling Conservatives.

Strains have been felt during that time, most recently response in January to Senator George Mitchell's report on weapons decommissioning, and in the Royal Ulster Constabulary's handling of the unionist march at Drumcree in July. But, time and again. Labour has supported government legislation relating to the province, and made clear it would not exploit the issue in any vote of confidence in the Tories at Westminster.

The stance taken by Ms Mowlam is radically different to that of her predeces- retain her portfolio, has sor, Kevin McNamara, who as shadow spokesman on years pursued an agenda closely allied to Irish nation-

The clearest distancing of Labour's past was the par- Patrick Mayhew. ty's decision this year not to

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British mainland. Twenty three Labour MPs defied orders to abstain in the vote, serving notice that a rump of the parliamentary party is opposed to the shift in Ulster

The rebels are mainly leftwingers of the old order. Mr Blair, who has consistently ignored them, demonstrated his toughness last month when he warned Jeremy Corbyn he could be thrown out of the party if he hosted a book launch in the House of Commons for Gerry dent. Mr Corbyn backed

down. One of the justifications given by Labour for its co-operation on Northern Ireland is that it has allowed John Major to face down the strong Unionist lobby among the Tories, Also, leaving what Ms Mowlam calls "not a cigarette paper" between

opposition and government, has given it maximum manthe government's oeuvre with the Unionist parties. whose support would be crucial for any minority administration at Westminster. Unionism in recent years had virtually no influence in Labour, but that is beginning to change through the lobbying of a small group under Kate Hoey, MP for Vauxhall.

From its first day in power, a Labour government would have to pick up the reins of the multi-party negotiations in Belfast. Ms Mowlam, who is likely to assiduously courted all the main political and business her informal manner, she will provide a stark contrast with the current secretary of state, the somewhat aloof Sir

Prevention of Terrorism Act. relationship, with Sir Patlegislation that gives the rick allowing his senior offi-

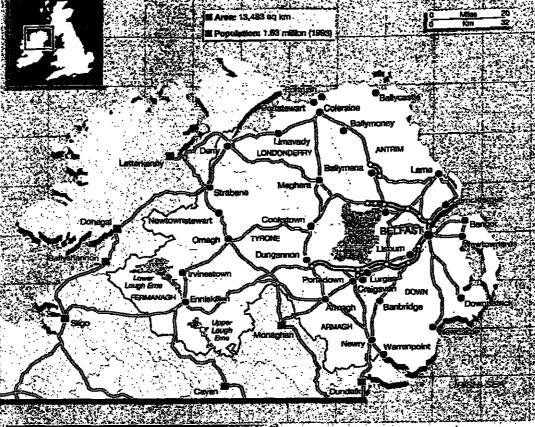
exclude individuals from the and Mr Blair regularly on the political process. Recently Ms Mowlam visited the Maze prison to discuss the loyalist ceasefire with its inmates. High-level contacts with Sinn Féin were broken off after the resumption of

> IRA bombing last February. Mr Blair has made clear he will not soften conditions for Sinn Féin's entry into the talks or be less tough on terrorists. So far he has kept only a passing eye on Northern Ireland. But in his speech to the Labour conference, Mr Blair said the issue would be "as much a priority for me as for John Major". He warned loyalists and the IRA they had a duty "to take the path of peace. Honour it and you shall play your part. Fail in that duty and I swear to you the search for justice and reconciliation will carry on without you".

While maintaining the current approach on the talks, Labour insists it will differ from the present on a number of day-to-day issues. It will introduce reforms of policing, put a greater emphasis on fair employment, and pursue plans for an independent commission to arbitrate on sectarian marches.

Labour will also support more vigorously partnership projects established by the European Commission. bringing with them a large influx of EU regional aid. It will incorporate into law the European convention on human rights, and a freedom of information act, with ramifications for the province, as well as a bill of rights specific to Northern Ireland.

out, consent of majority Protestants in Ulster and minority Catholics will ensure that neither a united Ireland nor the status quo Curiously, the two have will remain viable. The oppose the renewal of the developed a good working search for a new political arrangement will continue with at least as much vigour Home Secretary powers to cials to brief Ms Mowlam under Labour as the Tories.



thronology of the past two years

Dec 15 1993: British Prime Minister John Major and Irish counterpart Albert Reynolds unveil the Downing Street on which seeks to find peace in Northern Ireland.

Sept 1 1994; Irish Republican Army announces cassalire. Oct 14: Pro-Union "Loyalist" guerillas start truca. Dec 9: British government officials hold first public meeting with Sinn Fein, political wing of IRA, in 22 years.

with Sinn Fein. The two sides meet to review how to June 18: Sinn Fein formally breaks off exploratory peace talks with Britain, angered at British attitude to IRA arms. Nov 30: US President Bill Clinton visits Belfast and

May 10 1995: Britain ends 23-year ban on ministerial telics

Jen 24 1996: The Witchell commission proposes ell-party talks alongside a phased surrender of guernila weapons. Major proposes elections in Northern Ireland to pave way

Feb St. An IRA statement says it is abandoning the ceaseline. A bomb blast in the Docidands in the east. London area injures 100 people and kills two. Feb 28; Major and Bruton revive peace process and announce June 10 date for all-party negotiations. They say Sinn Fain will remain outside unless the IRA ceases

May 30: Bections in Northern Ireland for Peace Talks Forum, to run alongside all-party peace tal Fein take 15 per cent of the vota. June 10: Multi-party talks on the future of North begin in Belfast, but Sinn Feln is excluded.

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and Labour Party 219

■ Multi-party talks: by John Kampfner

## Players still at the table

Despite serious set-backs, no one has yet dared to pull the plug on the peace process They could not have started

less auspiciously. The multi-party negotiations on Northern Ireland, the holy grail for the British and Irish vernments and for several of the political parties, almost collapsed the day they began on June 10. Ten parties were to gather

at a nondescript government building on the edge of the forbidding Stormont estate east of Belfast. They had received their mandate at elections on May 30. In the preceding years,

London and Dublin had held the talks as the final stage in determining a new arrangement for Ulster. They were to enshrine a new era of democratic politics, with politicians eschewing the demagogy that had characterised many of their approaches. It was not to be. The first day was dogged by the arrival of a Sinn Féin

cavalcade demanding to be let in. The party had been refused entry to the talks because of the IRA's refusal to restore the ceasefire it broke by setting off a bomb in London in February. Inside, the building, the main players were exchanging insults in the corridors. The Unionists said they would obstruct the process at each step unless they got their way

Their first objection was

the appointment of former Senator George Mitchell. President Bill Clinton's envoy to the province, whose report on the issue of paramilitary decommissioning had been largely well received in January. Mr Mitchell's problem was that he was American. Unionists, removed. One official recalls that Mr Mitchell and his Canadian and Finnish deputies, John de Chastelain and Harri Holkeri, were on the point of packing their bags. They didn't, and the talks

ground into action. It took British ministers several days to persuade the main

unionist party, the Ulster Unionists, to give Mr Mitchell a chance. The other two more recalcitrant groups, the Rev Ian Paisley's DUP and Robert McCartney's UKUP, dropped their threat of a boycott - but only after a long struggle.

Officials clung to every minute sign of progress. Mr Mitchell's aim was to avert a walk-out by any of the main players, which would have led to a collapse in the talks and raised prospects of a descent into all-out violence. Each IRA terrorist attack during the talks made his task more desperate. On July 29, a small but

significant breakthrough the Ulster Unionists and arguing he was inherently tled on the outlines of the negotiations concluded - a the definition of the consensus needed for progress. This involved the two governments, a majority of the parties at the table, and a majority of both the minority nationalist and majority Unionist communities. The UUP and SDLP, backed by smaller moderate groups,

quality of the infrastructure,

is in practice much better

than companies anticipate

when they first arrive in the

For the short term, the

economic outlook remains

could achieve that. The onus would be on the hardline DUP and UKUP to join them. After a long summer break - peppered with the crisis over sectarian marches - the negotiators returned. Few hopes were invested, as the parties had yet to agree an

agenda for the opening of

However, even that hurdle

was overcome in early Octo-

the talks.

ber. For the first time, the international arbiters allowed themselves a modicum of confidence. The vexed issue of the decommissioning of paramilitaryweapons was to be addressed. Any group linked to terrorist organisations occurred. David Trimble of the loyalists and Sinn Fein would have to agree to some John Hume of the SDLP set- form of hand-over before the each other according to the hypothetical stimulation as each IRA bomb appeared to tantamount to heresy. Much harden terms for Sinn Féin's

> After discussing the broad outlines of decommissioning, the talks are due to divide into three sub-sections, laid down by the two governments in their joint frame work documents in February plug on the process.

entry into the talks.

involves new internal arrangements for the province, including some form of assembly; the second, and the most controversial, sets out cross-border co-operation between Ulster and the Irish Republic; the third relates to relations between London and Dublin. Mr Mitchell hopes they could be running by the start of 1997.

1995. The first "strand"

The bottom line will be the politicians' commitment to making compromises needed to move the process forward. All must look over their shoulders. Mr Trimble has taken a risk in making overtures to moderate nationalists. Mr Hume has antagonised some in his community by accepting Sinn Féin's political isolation.

Much will depend on Mr Paisley and Mr McCartney, who are vying to outperform traditional Unionist doctrine of it is posturing. A point that could have been made in a few minutes has oftentaken three hours of hectoring. Yet all the permitted participants are still there.-For all the problems, no-one has yet dared to pull the

Economy: by John Murray Brown

## uccess for the fleet of foot

province.

In a climate where confidence is elusive, the

ability of business to adapt is crucial

Confidence is an elusive

business attribute, and nowhere more so than in Northern Ireland. A survey by accountants Coopers &

two earlier occasions during the "Troubles", with its proprietary alarm systems for the security service indus-

With the ceasefires, interest from the Ministry of Defence dried up. Plans to install the product at Belfast's Aldegrove airport were put on hold. As a result the company was forced to look more at civilian applications of its technologies - winning again this time with an integrated circuit for use with video on demand systems in

Such adaptability is vital for the small and medium sized enterprise sector, which is the driving force of the economy, accounting for 70 per cent of business activity. Innovation has been one

hotels

of Northern Ireland's main across assets. The problem traditionally has been persuading locals to stay in the prov-

Peter Keeling, another winner of the Smart Award. like many fellow Ulstermen, selzed on the improved political environment following the ceasefires to return to Northern Ireland with his family.

ment Board suggests there is little immediate correlation between political developments and the investment decisions of foreign compa-

The province attracted 10 new investments in 1995-96 of jobs created, either by new or existing inward investors, rose from 3,141 to 4,869 in 1995/96. Manufacturing employment is now back up to levels of the early 1990s, reversing a downward trend in the UK as a whole.

Indeed, the province won 9 per cent of all new jobs promoted in the UK in the period 1994/95.

rising, fuelled by rising dis-Their survey shows that posable income, and lower the experience of doing busimortgage costs. ness in Northern Ireland, in New private house starts terms of the costs and the

rose by 4 per cent last year and this growth was carried through to the first quarter of the current year, when new starts were 20 per cent higher than the similar period in 1995. Bank lending is increas-

ing. The Bank of Ireland

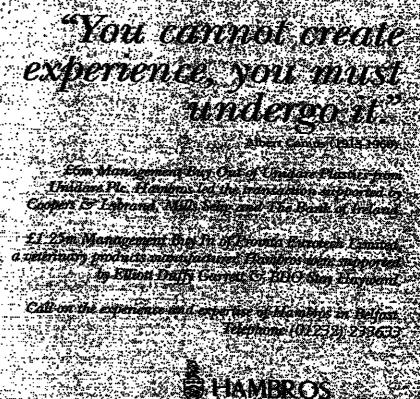
reports a fourfold increase in corporate activity as Northern Ireland firms start to take advantage of the increased international interest in the province.

Hambro Northern Ireland Venture Managers has just completed its second dealunder a £12m venture capital fund, part financed by the European Union. Continued on page

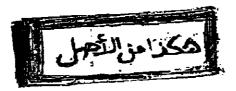


compared with 17 in the previous two years. The number

Cooper & Lybrand suggests that the IDB may be failing to get its message



Hambro Northern Ireland





Agriculture: by Michael Drake

## brave face

The past six months have left the province's farmers down but not out

If you are a sheep farmer, a pig producer or a poultry processor in Northern ireland you may have good reason to smile. But for those involved in red meat production it is a different story. For them, the past six months, which have seen the European Union ban UK beef exports and call for the phased cull of British herds, have been a sort of hell.

Northern Ireland's farmers

are the backbone of the province's economy. Farming is by far the largest industry, employing about 60,000 people out of a total workforce of 760,000. Total income from farming, which measures the return to farmers and all members of their families working on farms, last year amounted to about £340m - 8 per cent up on

The beef sector, which reptwo thirds of gross farm output. Unlike the rest of the Ulster Farmers Union. a fraction of its production, the province relies on exports for 80 per cent of thus uniquely vulnerable to

First Trust Bank estimates from the enforced cull at much higher than at this

about £100m. The knock-on effects could be considerable: investment in plant and machinery is slowing down; cattle haulage companies are feeling the pinch.

Cattle prices are down 25 per cent on this time last year and some farmers report losses of £150 to £200 an animal on the livestock they have managed to sell. While a year ago farmers

were receiving 236p a kilogram for top-quality steers, they now have to be content with a return of about 186p a kg. Those who depended on the normally lucrative suckler autumn calf market have had to bite the bullet and take prices that are on average £100 lower. Without the safety net of

the European Union's system of intervention prices, producers would undoubtedly have gone to the wall. Even at the gloomiest times, however, there are

some who remain optimistic. "If we can get a certified herd scheme in place and if we are allowed to meet the timetable for the cull of animals, we can get the market resents 12 per cent of the open again into Europe," entire UK herd, accounts for says Greer McCollum, the beef farmer who heads the

"That would provide son stability but we would have £12m under the Hill Live- would be considered millionto accept lower prices than stock Compensatory Allowthose we were receiving output. Northern Ireland is before the BSE bombshell," he says.

Least affected have probably been the farms that have the lost revenues resulting diversified. Sheep prices are

time last year, thanks to an small 2 per cent drop on last increased demand for lambs. White meat producers such

sors have benefited as

consumers switch from beef. Government aid in recent months is another factor in farmers' favour. Of the £30m allocated to the UK slaughtering industry, £3.7m has gone to the aid of Ulster farmers with another £10m or so helping renderers pro-

cess animal waste at the

as pig farmers and chicken

anticipate structural changes in the industry as a result of the mad cow crisis

rates that prevailed before the crisis. Support under a market-

ing scheme has provided the province's farmers with £4.6m, while another £15.3m has been paid in supplements to the Beef Special ing at 278,000 head. Premium and Suckler Cow Premium Schemes. Others have benefited to the tune of ance scheme.

It is too early to anticipate structural changes in the industry as a result of the mad cow crisis. The number of active farms - at just under 28,000 - represents a from their fathers.

Unlike other parts of the UK where many farms are held under tenancy agreements almost 60 per cent of farms in Northern Ireland are family owned or, in a few cases, subject to long-term

The sector has been in slow decline for some years. While there may still be more sheep than people in Northern Ireland, the province's flock dropped by 2 per It is too early to cent to 2.5m in 1994. The pig sector has seen a consolida-The number of holdings is

now about 60 per cent of the levels in 1991. Over the same four-year period the average size of pig herd rose by 38 per cent. Contraction is equally evi-

dent in the arable sector, with 20 per cent fewer farms now growing cereals. Similarly, the number of potato holdings is now one third lower than four years ago at 1,800. The dairy herd too has shrunk by 1 per cent to 271,500. Ironically, only the beef herd has managed to maintain its numbers, stand-With farm values in many

cases exceeding £3,500 an acre, many landowners aires, were it not for heavy burdens of debt to banks and other lending agencies.

Few would want to sell. But before the BSE crisis is over some may well have to leave the land they inherited

PROFILE

Monika Wult-Mathies

## Europe's healing hand

EU funding, according to the commissioner, has a crucial role to play

Monika Wulf-Mathies, Commissioner for regional policy, clearly believes Europe can make a difference in Northern

The former German trade union official, entrusted with distributing a total regional aid budget of Ecu150bn (£122.40bn), is particularly proud of the Ecu300m earmarked for Northern Ireland's Peace and Reconciliation Initiative.

"This is what the European Union is all about, helping to heal differences and bring communities together," she says. "I think we can draw lessons from this for the use of funding in other areas."

The objective of the programme, which was greed at the Essen summit in late 1994, was to underpin the paramilitary ceasefires by supporting groups directly affected by the 'Troubles" - both the victims and the perpetrators of violence.

The money, to be disbursed over three years, s being given to projects on both sides of the border, 20 per cent to the six border counties of the Irish Republic which were deemed also to have suffered, while 15 per cent of the total funding is for cross-border projects. The project has bad its

eething problems. When the IRA bombed Canary Wharf in February, signalling the end of its ceasefire, Mrs Wulf-Mathies was quick to announce that the funding would continue unaffected. Only this month, the

European Parliament's

to cut the programme because of the slow take up of the money by the local organisations.

The Commissioner, clearly incensed at the damage such a decision would have had on the EU's standing in the province, accused the parliament of "lack of solidarity" with those communities who suffered the most. "It sent the wrong

political message and put at risk the links we're establishing across the divide," she said. "If you want to get people involved they need to have a clear perspective of what is happening." However, the decision was reversed by a full plenary of the parliament on October 24. Past disagreement

between the Commission and the British government over EU funding had emerged, with the Commission accusing London of using EU monies merely to top up, or worse still replace, existing national programmes.

"We had some problems in the past. But we're happy the British government is committed to making this money additional [to existing programmes]," says the Commissioner.

British officials were at first a little wary of the programme. The government, which under normal EU arrangements is held responsible if a project goes wrong, wanted to be able to monitor the programme. A compromise was agreed whereby the government would be a co-signatory of the funding.

At a special conference in Belfast in early 1995, the Commissioner turned a few more heads with her proposal part of the money could go to ex-paramilitary prisoners. She said she wanted to see the funds promote what she called 'social inclusion". In



: "I think we can draw le the use of funding in other areas

response, the British government quickly announced it was droping its "vetting" of community groups - used in the past to stop government funds being diverted to the paramilitaries.

The programme was unique in other respects. Decisions on how to disburse the money were only made after a lengthy consultative process with local groups - another reason for delays.

In a further bid to win over local communities, Brussels commissioned its own study of the deprived areas to establish those in most need. To get the money to those

most affected, the Commissioner decided that only part of the money would be distributed through government bodies. Instead, local organisations would be directly targeted. either through so-called "intermediary bodies" such as the Northern Ireland Voluntary Trust, one of the largest recipients. In addition, new "area based partnerships" involving the

26 local councils, business and the voluntary sector, would be invited to submit project ideas. There have been delays,

particularly in agreeing the formation of the new partnerships which are intended to be cross community. According to Commission figures, only Ecu34m has so far been disbursed of the total EU contribution of Ecu300m the balance being matching funds from the two governments. But Mrs Wulf-Mathies confidently predicts that about Ecu100m will be spent in 1996 and a further Ecu160m in 1997.

Earlier this month, the Commissioner was in typically enthusiastic mood, announcing funding for a further 200 projects. including a childcare project in Strabane in the west of the province, one of the worst poverty blackspots and a staunchly republican area.

John Murray Brown

#### Laganside: by John Murray Brown

## he second act begins

The corporation's new chairman is expected to focus on investment and job creation

Laganside Corporation is to have a new chairman. Tony Hopkins, senior partner of Deloitte & Touche Northern Ireland, is to succeed the Duke of Abercorn as the head of Belfast's £130m riverside development project.

The appointment, expected to be announced in the next few days, opens a new chapter in the story of the regeneration of Belfast's inner city. If the Duke of Abercorn was the catalyst in winning government backing during the project's formative years. Mr Hopkins sees his main task as promoting private sector investment and bringing jobs to the area.

Belfast's docklands once

rope-making factory and one of the largest shipyards, while Northern Ireland was the heart of the UK linen industry. The area has long since been abandoned by fraditional industry. Today, like many old European cities, Belfast is striving to reinvent itself.

Under an order in council in 1989 establishing it as an urban development agency, Laganside was designated 140 acres abutting a tidal river, comprising sites ranging from disused docklands to the redundant and contaminated area of the old city gas works. "I remember when it was a open air cattle market," says Mr Hopkins of the area where the Hilton Group is building a £29m 180-room tuxury hotel.

The locations are now owned either by Belfast City Council, the Harbour Commissioners, or the Corpora-

scheme has been supported by £70m in grants from the of silt, creating a potential Treasury or under European funding programmes. In such blighted surroundings, there was an official recognition that the project would be infrastructure-led, as the authorities cleared the site hefore marketing the invest-

But as the physical infrastructure improves, the planners are turning their minds not just to the commercial exploitation of the site but to local community regeneration through residential housing schemes and the integration of the area with the city centre.

In its annual report for 1995-96, the Duke of Abercorn says the highlight of the year was the "demand and subsequent increase in the value of waterfront housing" - all of which will help to breathe life back into the

When the project was launched, one of the first tasks was the construction of a weir across the Lagan. The weir, which cost £14m, was designed to regulate the tides, avoiding flooding in winter and the summer dry spells which affected water quality. It also meant the unsightly mudflats became a thing of the past. "There used to be a time when you could race at high tide, but then when the tide went out, there was only room for one boat," says Mr Hopkins.

Sewerage pollution on the river was also a hazard, with the system overflowing into storm drains during bad weather. Today the corporation has introduced a method of screening the sewage outfalls. The long-term plan is to improve the city's

entire sewage system. The water probably would still not be clean enough for swimming but already salmon have been caught the Ulster-born flautist.

boasted the world's largest tion itself. To date, the above the weir. The corporation dredged 100,000 tonnes recreational area 4.5km long. Oarsmen were delighted. The Lagan Lookout group now conducts tours for school children and others around what was once one of the city's blackspots. George Mackey, Lagan-

side's chief executive estimates there is an opportunity for £500m of private sector investment, and "the potential for much more in the future". The first big break occured

when Ewart, the main devel-oper, agreed terms with the Hilton group. The hotel, due to open in the summer of 1998, is also to receive a £7m government grant. Ladbroke, the leisure group which owns Hilton's operations in the UK, has underlined its confidence in the project by taking a large equity stake in the development. Typically Hilton's interest would be by way of a management contract, says Mr Hopkins. Also on Lanyon Place is BT which is leasing 150,000 sq ft of office space in which to relocate all its Northern Ireland operations.

At the other sites, the Clarendon Docks reports record office lettings. Clients include the Northern Ireland Council for Curriculum Examinations and Assessment which is locating a 50,000 sq ft centre. Earlier this year, the city council was awarded £3m by the National Lottery for the restoration of the 19th century St George's Market, one of the UK's largest fruit mar-

kets under a single roof. The showpiece is the Waterfront Hall a 2,235 seat concert and conference centre. Belfast City Council, the \$30m facility's owner, plans to open it in the new year with a concert programme headed by James Galway,

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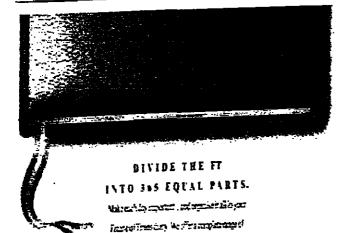


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**Armagh:** by Joris Minne

# Across the religious divide

Co-operation between churches has helped the city stay aloof from the troubles

When Bishop Sean Brady takes over the helm of the Roman Catholic Church in Ireland from Cardinal Cahal Daly later this year, he will be the latest in a line which goes back some 1,500 years to St Patrick himself.

Ireland's patron saint has a special place in the country's identity. The church he founded in the city of Armagh is now the ecclesiastical capital of Ireland.

Each March, across the world an estimated 40m of the Irish diaspora remember the holy man, who banished snakes from the island, reinforcing their own identity in much the same way as the British Royal family does for

While American Irish tend to fete St Patrick with green beer and colourful city centre parades, home grown Irish revere him with more

solemnity marking the saint's day on March 17 with masses, services and visits to the graves of deceased cardinals.

Whatever way he is remembered he is almost certainly the world's best known Irishman.

Armagh is just 40 minutes drive south west of Belfast the department of environment alerts the errant driver with large road signs depicting in silhouette the twin spires of the aptly named "Cathedral City"

On the drumlin hills of this elegant Georgian town, the Roman Catholic and the Church of Ireland cathedrals tower over the pink stone streets. Both are named after St Patrick, which confuses tourists a little. They normally end up visiting both churches and in so doing cross the religious divide. Cardinal Brady and his

Church of Ireland counterpart Bishop Robin Eames are not alone. Baptists, Presbyterians and Methodists all have meeting halls and places of worship in the city. Even the Reverend Ian Pais-

"Cathedral City": Armagh's two churches are named after St Patrick, which confuses tourists who normally end up visiting them both

tion, has established a church in the town. Thanks in large part to the co-operation between these various church organisations, Armagh has survived much of the turbulence of Northern Ireland's recent

Free Presbyterian congrega-

To some extent the leaders of today's churches are following St Patrick in showing acute political acumen. Mr Paisley may have claimed Patrick as a "Brit" but the saint himself was more sensitive to local tradition when

capital of Ulster has also ley, MP who heads his own he established his church in restored. the year 450.

By the time he arrived, Armagh was the heart of an old and declining Celtic empire populated by princes, queens, warriors and druids - a sort of Ulster Camelot. By one account, St Patrick was given the land to build his church after he resuscitated the local chieftain's dying horse.

Today, the city has developed alternative attractions. The Royal Irish Fuseliers their regimental museum in the town. Navan Fort, the site of the ancient

The town was the one of principal sites of the Irish scientific enlightenment, with the Armagh Observa-tory built in 1790, by the then Church of Ireland primate Richard Robinson. Today the city boasts the only planetarium outside London's Baker Street.

But the main draw for the tourist is the city's connection with St Patrick. The surrounding countryside is dotted with landmarks commemorating events in the

Near Keady, 10 miles south of the city is a hills called St Patrick's Chair, where he is said to have rested from the weary work of converting proud Celts into meek Christians.

Many would have been baptised at the nearby St Patrick's Well at Mullacreevy, on the outskirts of the town. Here St Patrick is said to have fallen asleep, dreaming that an angel told him that his church was to be the centre of Christianity in all of Ireland.

Patrick was not the only man attracted to this site. In

earlier times, the well, and the raglin tree nearby was a focus for pagan worship.

Today people in Armagh still remember the tradition of tying rags to the tree, in the belief that this was the way that wishes and dreams would be realised. Such is the continuing potency of the site to local people that story goes that St Patrick plans to build a housing development had to be altered to preserve the tree. in Blackwatertown, five miles from the city in the

middle of County Armagh, St Patrick's has left a rather different legacy. Driving

through this lush farmland, famous for its apple orchards, you enter the village from the west past the church of St Jarlath.

Seamus Hegarty, the village news agent and local historian says: "We know it as Clonfeacle. Feacle is the Irish word for a tooth." The was picnicking in the nearby field when he bit into a piece of bread and lost a tooth. Locals say the holy molar is still there somewhere and anyone who finds it stands a good chance of sainthood

PROFILE

John McGuckian

## An enterprise veteran

The image of Northern Ireland as a world of government quangos, run by mandarin appointees comes a unstuck when you meet John B. McGuckian. A former North Antrim pig farmer, and a Roman Catholic, his career reads like a Who's Who of Northern Ireland enterprise.

Mr McGuckian has seen. and lived through, even prospered, during the worst of the 25 years of terrorist violence. As a result, he has an almost unrivalled business perspective on the

This place is light years ahead of where it was five years ago, 10 years ago. You and mayhem of those

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years," he says, in his blunt Ulster brogue. He is best known outside

the province as chairman of the government run Industrial Development Board, although he has interests in textiles, is on the board of Allied Irish Banks, is chairman of Ulster Television, the local ITV franchise and has a string of public service appointments.

This week the IDB published its annual report for 1995-96. The results underscore the big rise in job creation by foreign investors, much of the growth coming from those

already in the province. without upsets, however,

even without the government grants. Benelux, the troubled Hong Kong-based audio cassette component manufacturer

Limavady plant in September. Mr McGuckian argues that even in the private sector, things can go wrong. "We're not buccaneers," he says "We have to be practical but even in the private sector, 20 per cent of all capital

investment is wasted." Some local economists have argued that it is the job of government to support projects of greater risk than those the private sector would be prepared to back. However, Mr

was forced to shut down its

McGuckian points out that to Northern Ireland has to

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convince the IDB it is "mobile" and that its business would be viable

On this point, he is bitter about the demise of the deal with Hualon, the Taiwanese textile company, whose planned textile plant would have been the largest ever investment in Northern Ireland but is the subject of a challenge in the European

Mr McGuckian describes as "vindictive" the lobbying by the British textile industry against the investment. Manufacturers claim the Hualon project represents unfair competition.

John Murray Brown

■ Tele-services: by John Murray Brown

## Engaged in a new line of business

With some success, the IDB is targeting call centres as an area of rapid growth

If you have ever had reason to ring British Telecommunications' 150 or 151 London freephone service, you know the sweet burr of a county

Fermanagh accent. For the garrison town of Enniskillen in the heart of Northern Ireland's "Lakeland" is now the location from which BT provides customer services and fault reporting for the whole of the London area.

the remote location of call centres made possible by changes in information tech-

nology. The shift in work patterns is particularly marked in rural areas - one of BT's employees for example travels to work by boat. But the changes are equally likely in urban settings.

Across Europe an estimated 6,000 companies operate call centres. These already employ about 130,000 people and are expected to create another 100,000 jobs by the year 2000 according to a Green Paper published by the **European Commission last** month.

The Republic of Ireland is the fastest growing area for call centres, but the UK has 4,000, earning revenues of Ecu450m (£367.20m) in 1996, according to Commission figures. Northern Ireland is targeting these tele-based services as a potential growth area - and with

some success. According to the Industrial Development Board, the government's investment authority, 1.530 people are employed in private sector call centres as well as a further 1,630 in the public sector, offering UK-wide or pan-European services in everything from airline bookings and computer support to direct banking.

The IDB is co-operating with BT, through invest-

the provision of low tariffs in a bid to attract call centres to the province. The company employs 550 people in centres in Enniskillen. Portadown, Londonderry and Belfast servicing customers primar-

ily in Britain. Cellnet, British Airways, Royal Mail, Prudential Assurance and Abbey National are some of the larger companies involved, along with government departments such as the Customs and Excise, the Inland Revenue, the Passport Office, and the Child

Support Agency. There is no reason why Belfast cannot quadruple This is just one example of the number of jobs in remote IT," says Tony Hopkins, the incoming chairman of the Laganside Corporation, the agency in charge of the regeneration of Bel-

fast's riverside. The IDB offers incentives, including grants of up to 50 per cent of the cost of buildings and telecommunications infrastructure. Employment grants are also available to help cover the heavy staffing overheads that are involved in such a labour intensive operation.

Over the past five years, BT has invested some £176m in establishing high bandwidth links to Great Britain and the Republic of Ireland and the installation of a fibre optic cable network.

The company now claims to offer one of the most competitive call centre packages in Europe, naming among its advantages a flexible discount structure calculated on call volumes for incoming and outgoing calls; up to two international freefone numbers per country free of rental charges from a conrent choice of 46 countries and; special rates for long-term contracts with up to 25 per cent discounts on the base rates for relevant countries on freefone ser-

With some predicting the advent of the "cashless society", Northern Ireland seems well placed to take advantage of the changes. Bruce Robinson, chief



Airways, Royal Mall, Prudential Assurance and Abbey National at

fastest growing sectors. Dr Ivor McCaw, manager of BT's Belfast engineering centre says BT's local operation has already helped pioneer major new product innovations such as BT's per-second pricing of phone

One of the more recent

#### One of the more recent arrivals to the province is Stream International

arrivals to Northern Ireland is Stream International, which has established its Londonderry. Stream was formed as a merger between Corporate Software and a subsidiary of RR Donnelly of Chicago, and is now the world's largest supplier of telephone based technical support for the computer software industry, with

annual sales of some \$1.6bm. The company made and executive of the IDB says distributed software and

call centres are one of the technical manuals for Microsoft's Windows 95 program. In all, the company has 2,500 specialists handling 12m support calls in the European Union and the US. Paul Kavanagh, president

C market:

of Stream's international operations in Europe, the Middle East and Africa says the availability of high-quality, low-cost labour was a key attraction. The company\_ wanted applicants with a good working knowledge of Dos and Windows programs. Those with a university or college degrees were pre-

Sean McGarry, of the Training and Employment Agency says Stream had lit-tle difficulty filling the 500 places. One reason, he says, is that Northern Ireland is now spending more of its educational budget on com-European headquarters in puter training than any other UK region.

Stream was able to hire its first 30 customer support representatives within one week of making the decision to come to the province.

Says Mr Kavanagh: "We interviewed them on a Wednesday and by Sunday evening our first 30 employees boarded a plane to London for company training."

## Confidence elusive

Continued from page 2 "The ceasefires opened up

the province as a sort of emerging market for institutional investors and our fund has been able to exploit that opportunity," says Colin Walsh, who runs the fund.

From a low starting point, industrial production has risen 13 per cent in the five years to 1995, compared with 5.9 per cent in the UK and 3.6 per cent in the Euro-

As a result Northern Ireland productivity rates financial assistance. Of the

are closing the gap on the 10 new investments, seven nity Employment scheme

Unemployment is falling, although at 11.2 per cent of the workforce, it is still one of the worst rates of any region in the UK. Male unemployment is at 14.7 per cent. More encouraging, the level of unfilled vacancies has fallen over the past two

The government is also starting to have some success in targeting the areas of highest social need, through use of selective

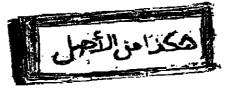
deprived areas including west Belfast, Enniskillen gressive" investment poli-

and Cookstown. Last year, in its economic strategy document for west. Belfast, Sinn Fein, the IRA's political wing, actually comits attempts to target areas

of social need. of jobs resulting from the west Belfast, and the scrapping of the Assisted Commu- state.

are located in economically will all but wipe out the gains made by these pro-

With the resumption of the IRA's bombing campaign, the squeeze on public. resources will be even more mended the government for acute, as the government reallocates the health and education budgets to meet But it also warned the loss the increased security needs." As before, the economic threatened closure of the fall out from the violence Royal Victoria Hospital in will be hardest falt in those areas most dependent on the



The economy: by Gordon Cramb

## Emu targets pose very few problems

Government debt is the only Emu criterion which the Netherlands fails to meet

The Dutch version of the current Ikea stores group catalogue guarantees its prices until August 1997. Consumers looking for a home to fill with such wares can get a mortgage from ABN Amro fixed for 17 years at a modest 7.7 per cent annual interest. Inflation holds few fears for those doing business in the Netherlands.

It is one of the criteria for participation in European monetary union which the country has found easiest to meet. One or two others have been more troublesome, but the reaction among analysts to the government's annual budget unveiled last month was unanimous in deducing that the guilder will be among the founder members of the single currency zone The government deficit is

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to be brought down to 2.2 per cent of gross domestic product next year, well inside the Emu target ceiling of 3 per cent. In 1995, the deficit ratio still breached those limits at 4 per cent, but the outturn for this year is projected at 2.6 per cent.

The only measure on which the Netherlands still fails to qualify is government debt. Mr Gerrit Zalm. finance minister, forecast this to emerge in 1997 - the year on which Emu eligibility will be assessed - at 76.2 per cent of GDP. This would still be way above the notional 60 per cent maximum embodied in the Maastricht rules on monetary

But The Hague is hoping

per cent recorded last year will be sufficient to establish the "clear downward trend" required as a fallback position for countries which otherwise fit the bill.

Even so, to achieve the reduction the government had to resort to some deft financial engineering. Mechanisms such as moving funds around in the state's accounts with the central bank brought nearly half the cut in debt from an expected 78.8 per cent this year. The rest came from economic growth itself as well as curbs in government spending and official subsidies, increased public sector efficiency, and a move into surplus on state social insurance funds.

GDP growth is on course to reach 2.5 per cent this year and 2.75 per cent in 1997. That is in spite of a less steady growth pattern in Germany, which takes a quarter of all Dutch exports and whose sneezes have in the past given its neighbour regular cause to blame for its colds. This time, as Dutch growth outpaces that of Germany for a fourth successive year, there is barely a snif-

In any event, the Netherlands' exposure to the German market is muted by the preponderance of agricultural produce in the export package it ships across its eastern border. Germans will always eat.

Worse, though, is when a slowdown in Germany coincides with a dull patch for world trade in general. So by the same token, the internationally geared Dutch business sector is well placed to reap the benefits of the increased activity forecast by the World Trade Organisation as the Geneva regime achieves a lowering of tariffs and other barriers over the

But for now, the economy is being supported by strong domestic trading patterns. In retail sales, for example, the year-on-year increase touched 7.1 per cent in August - consumer price rises are at the same time being contained to an annual 2 per cent.

Overall household spending is being given an apparently structural boost from a rise in employment - by one forecast, the 300,000 new jobs of at least 12 hours a week being created between 1995 and 1997 will expand labour demand by 5.4 per cent.
"The Netherlands is gradu-

ally making up lost ground in a number of areas," says Mr Nico Klene, ABN Amro economist. This year, for the first time in decades, the total number receiving state benefits will show a decline, he notes. "The central government financing deficit. the public sector expenditure ratio and the tax and premium burden have all returned to mid-1970s lev-

That was when the country's bountiful welfare system began to inflict macroeconomic scars. It left as a legacy a low labour participation rate - more than 10 per cent of those of working age are, for a start, classified as "severely disabled". Suffering from stress was often reason enough to be allowed to leave a job and draw up to 70 per cent of one's former

salary until pension day. Now each of those drawing benefit under the WAO, the Dutch acronym for the invalidity insurance law, is having his or her case reviewed by state-appointed doctors. Of those examined last year, 35 per cent had their paywithdrawn ments reduced.

This, combined with a



rit Zalm; high debt forecast

smaller intake of new case again because of tighter criteria, has brought the number of "benefit years" being paid under the WAO by nearly 6 per cent to 742,400, according to figures this month from the Social Affairs Ministry.

The labour participation rate, substantially above 60 per cent in the past few years, compares favourably with a level of barely 55 per cent a decade ago, but still does not look good against a rate of nearly 80 per cent for Denmark, for example, and well over 70 per cent in both Britain and the US.

One consequence of this has been a per capita GDP which, although rising faster than its neighbours for the past eight years, still lags behind a swathe of countries ranging from France to Austria. At the same time, those in Work bore a proportionately higher tax and insurance burden, as did their employers. Jobs were destroyed as a result. In a study called "Bench-

marking the Netherlands", the Economic Affairs Ministry last year measured the country against selected main competitors. Days lost through strikes were lower than anywhere except Japan. Reflecting high levels of education and workplace technology, the country ranked first in labour productivity, though at the low end of the scale when it came to use of labour poten-

Dutch trade unions are as prickly as any when jobs are threatened, and the country's social contract means that employers must tiptoe. consult, and sometimes shuffle backwards again. But in the past few years the union towards non-pay benefits for their members, as a result of which many workers in the public and private sectors will be on a 36-hour w*e*ek from next year.

Which, if nothing else, gives them more time to

■ The stock market: by David Brown

## egy for a single entity

Amsterdam is defending its position as an international

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centre The councils of the Amsterdam Stock Exchange and the Amsterdam-based European Options Exchange (EOE) have punched the 'execute" button on a strategic programme to merge into

a single operating entity. The plan is aimed at defending Amsterdam's position as an international financial centre at a time when competition between Europe's capital markets is growing ever more intense. Provided that details of the plan can be agreed and finalised by members this year, particularly the division of rights and responsibilities under the new regime, then both exchanges

will be folded into a new public limited company, Amsterdam Exchanges (AEX), at the start of 1997. The overall aim of the AEX is to attain better economies of scale and - as one bourse spokesman phrases it - to create "a one-stop shop" for trading in Amster-

Within the new structure, a number of functions associated with clearing, settlement, plus management of delivery and exchange by independent operating companies under the AEX umbrella. The AEX will also assume day-to-day market

oversight. The membership of the Stock Exchange Association. traditionally dominated by the oligopoly of big Dutch banks, together with that of the EOE, will each divide 25 per cent shareholding stakes at the new company, while the remaining 50 per cent of recognised as an issue that the shares will be offered to ought, perhaps.

corporate and institutional addressed. investors. In the process, AEX will become Europe's first listed exchange.

The country's bountiful welfare system began to inffict macroeconomic scars in the mid-1970s Ruad Tiogs

Amsterdam's merger initiative is one of several unfolding developments. The illiquid, unlisted Dutch securities market is also to be revamped in response to similar steps undertaken in London (in the form of the Alternative Investment Market), Paris (the Nouveau Marché), and Frankfurt (with its Neue Markt).

The aim is to attract more start-ups on to a new exchange, generate more liquidity, and to bring the local market under Amsterdam's supervisory regime. There is also an effort to coordinate information exchange among all of these new markets across Europe. The operating principle is that remote trades, while encouraged, should be effected and settled in the country in which the startups have their listed base.

The Stock Exchange has also introduced a new settlement system to insure that delivery of securities takes place at the same time as the corresponding cash payment - which promises to lower potential settlement risks - while the Options Exchange has had its teething problems with a costly new trading system known as "Switch" that was origithe crucial information nally designed to support simultaneous dealings on systems, will be carried out and off the floor itself. Already installed, it is now undergoing a substantial

reconfiguration. Wisps of the re-organisational wind that has been sweeping at the surface of Amsterdam's markets are only now starting to penetrate the antechambers of actual power. Corporate governance in the Netherlands remains a highly cartelised affair. However, this is now

The Stock Exchange, in

co-operation with the Dutch Association of Stock Exchange Listed Companies, last summer launched a study aimed at defining best practices for company directors and supervisory boards. A report is expected at the end of this month. The Dutch government

has meanwhile proposed a wide-ranging package of anti-cartel measures aimed at opening the economy as a whole - one of which concerns the crucial issue of anti-takeover defences.

The Netherlands retains some of the strictest formal and informal anti-takeover defences in Europe. Despite pressures to partly unwrap this thick and impregnable swaddle and render management more accountable to shareholders - a compromise plan now awaits political disposition - speculation of the Anglo-Saxon kind remains a foreign phenomenon.

The country has still to see a successful hostile takeover bid.

While Dutch exchanges have avoided the more egregious corruption scandals that have plagued counterparts in Germany and France, they too have had their share of "embarrassments". These have raised concerns about the Stock Exchange's tradition of selfregulation, as well as about the independence of its man-

For example, during the summer, investigations into alleged insider dealing in shares and options on the drinks group Bols Wessanen led to a spate of arrests, not least within the company itself. In mid-October, the dredging and salvage company Smit Internationale also became a focus of possinie concern.

Meanwhile, in September, a third still-unannounced the new Securities Board of player into its web. the Netherlands (STE) was

zeal in a murky affair surrounding Nusse Brink, a securities trading house which went bankrupt in 1993 after numerous unreported share transactions amid suspicions of running an extensive money laundering operation as well. A report is expected even-

tually; a separate judicial procedure will come to a head shortly.

Interestingly, all of this has done little to dampen investor enthusiasm, perhaps because of strong underlying economic fundamentals and a growing appetite among customarily riskaverse institutional participants to balance their bondheavy portfolios with more shares This month, strengthened

by the Dow's powerful performance and a rising dollar, the Amsterdam AEX has been trading at record levels. Strong performers include technology sector stocks as a whole plus many of the and medium-sized stocks that form part of the Midkap index. At the EOE. turnover rose 86 per cent in the first half alone.

Moreover, in January of this year, following implementation of the European Unions Investment Services Directive, the exchange opened a new chapter in the long-standing saga of rivalry between Amsterdam and London by launching a hardsell campaign aimed at luring business from the City to

the continent. Amsterdam now offers London-based investment banks the option of "remote membership" - which makes it possible to trade in equities listed in the Dutch capital from elsewhere in Europe - and has succeeded in attracting the London

branches of UBS, the Zugremark on the eagerness of based Timberhill bank, and

GDP in the early 1980s to year. And precisely during this 10-year period, employment growth was

INTERVIEW Wirm Duisenberg

EMI helmsman

July 1997. More notable is the explicit assertion by the our labour market as well." Netherlands' outgoing central bank governor that there will be a direct relationship between success in the currency convergence exercise and economic growth with resulting new jobs.

regime can only improve the effective functioning of markets, thus brighten the European prognosis, and improve its capacity to generate new jobs." Mr Duisenberg says. For European policymakers struggling to escape the crossfire unleashed by

"A stable exchange rate

If Mr Wim Duisenberg

move to Frankfurt as

chairman of the Euro

Monetary Institute (EMI) in

takes a bullish stance on

increasingly unpopular austerity programmes, which the Maastricht convergence criteria mandate – this comes as a hoveful notion indeed. "The move towards Emu

feconomic and monetary union) has inspired governments to take necessary steps to improve the functioning of the labour market and reduce their role in the economy overall," Mr Duisenberg notes. "This will naturally help fight the unemployment problem - although it will perhaps do so more as a catalyst than as a fundamental factor on its

Head of the Dutch central bank since 1982, and also president of the Basle-based Bank for International Settlements (BIS), Mr Duisenberg observes that the Netherlands has moved from a deficit that stood close to 10 per cent of

one of under 3 per cent this faster than at any time in our post-war years. We have seen strong economic growth and a parallel increase in the flexibility of

While growth in many countries has been accompanied by a widening of imbalances in how its proceeds are distributed, this has been moderated in the Netherlands by the country's social cohesion.

Mr Duisenberg has been widely tipped as the first head of the European central bank, scheduled to supersede the EMI in 1999. Meanwhile, even at the helm of the EMI, he will rank among the most influential of Europe's economic decision makers.

He is a strong supporter of German-style monetary policies, and has sided with Bonn in its insistence that strict limits on budget deficits must be maintained after monetary union begins. This reflects the Netherlands' interest in maintaining its close association with the D-Mark sphere, to which the Dutch guilder has been bound for 15 years through a policy of virtually identical interest rates.

Yet small, highly trade-oriented, and hard currency economies like the Netherlands will not be alone in enjoying Maastricht's benefits, Mr Daisenberg maintains even if not all countries

will qualify to join Emu simultaneously. "The certainty of fixed exchange rates and the security that this will bring to entreprepeurs will be particularly pronounced for Holland, but all European

economies are dependent on each other for more than half their trade," he says.

Mr Duisenberg brushes aside the concern expresse by a growing number of Emu critics – both within Europe and the US - that the currency exercise is profoundly ill-timed. Mr Rudi Dornbusch of

pessimists, suggested in the October issue of Foreign Affairs that "experimenting with new money is a bad idea at a time when Europe must face the tough realities of abolishing the welfare state, reintegrating millions of unemployed into a normal working life, deregulating statist-corporatist economies, cultivating the supply side of its economy,

end integrating Central Mr Duisenberg dismisses the implied link between structural adjustments now being undertaken to bolster a strong single-currency regime and Europe's high rates of unemployment. These have everything to

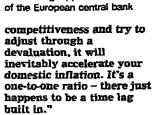
labour market." be maintains. (In his view. Europe's prolonged economic dip reflects cyclical rather than structural factors.)

Other sceptics have suggested that if exchange rates drop out of the economic equation, wages and prices will be left to take up the slack.

"I don't see this as a terribly serious concern. After all, are exchange rates a factor between northern and southern Italy? Or, for that matter, between England, Scotland and Wales? Of course not. Besides, one shouldn't overestimate their effectiveness. If you lose

MIT, one of the more forthright among these Duisenberg: tipped as first head

do with the rigidities of the



It is now evident that some countries will qualify for Emu membership before others. This will produce transitional dilemmas of some delicacy. However, Mr Duisenberg rejects any hint that current disagreements over the competitive terms and conditions of access to Emu's Target payments clearing system

 specifically access to intraday liquidity from the European Central Bank - are symptomatic of a wider emerging tension between the emerging Emu "ins" and its "outs".

"This is primarily a technical issue. It has political and commercial overtones, to be sure, but I'm not sure how important they will really prove to be. Perhaps some commercial banks will independently decide to transfer their central treasuries and definitively place themselves inside the single-currency area," he suggests.

David Brown

Inward investment: by Clay Harris

## well-established role

The Netherlands unrivalled distribution network

The Netherlands knows its place in the world, and it is one that has changed remarkably little over the

With an economy dependent on trade, and an outward-looking business culture and workforce, the Dutch orientation towards international commerce has been constant, from the Golden Age of the 17th century to an era of "value-added logistics".

One manifestation is the country's courtship of inward investors. The effort to attract "footloose" companies to greenfield sites is led by the Netherlands Foreign Investment Agency, part of the Ministry of Economic Affairs. Such projects have accounted for Fl 1bn to Fl 2bp in investments and 3,000 to 4,000 jobs a year in the past two years, according to Mr Jochem Hanse, commissioner for foreign investment.

One of the NFIA's strengths is knowing where competitors have an advantage. For huge labour-intensive projects, a \$1bn investment creating 6,000-12,000 jobs, for example, Mr Hanse admits: "Such projects are not our game. The difference in labour costs will be decisive." Apart from a few limited areas, moreover, the Netherlands does not have the carrot of huge sums in regional aid to dangle before prospective investors.

Mr Hanse is keen above all to avoid attracting companies on false pretences. "It's very harmful if people choose the Netherlands based on the wrong information," he says. Later tranches of expansion by satisfied inward investors are one sign that the NFIA's approach is working.

What the country does offer is an unrivalled distribution network with the world's busiest port at Rotterdam and one of Europe's leading airports at Schiphol. Industrial companies cite its highly skilled workforce, while service groups want ing to set up international call centres - a Dutch forte - are attracted by a huge pool of multilingual recruits. Expatriate managers also

many Dutch to work for for-

eign companies, and the

openness with which society accepts foreigners in their

The Netherlands is benefiting from changes in manufacturing patterns, as companies move their assembly operations closer in time and distance to the customer. Mr Hanse gives as examples bicycles and personal computers, products which a consumer might think about for two years but, once he has decided, want in two weeks, to a specific configu-

For such products, it no longer makes sense to assemble far away and ship in. Parts can be manufacelsewhere, shipped for assembly closer to the customer. Such "postmanufacturing' poned requires an excellent distribution network and access to technical skills sufficient to provide necessary after- its iob market. Certainly, the sales service, maintenance use of temporary or contract The principles do not only

apply to consumer products. Outokumpu, the Finnish metals group, processes stainless steel at Terneuzen in Zeeland in the south-west of the country. Mr J.C. Klap, the general manager, says the original investment was driven in part by the need to cut transport costs, but it has been reinforced by developments in the market. The country's bonded

warehouse system also fits in with companies' just-intime needs. Once their internal procedures are approved and licensed by customs authorities, companies are free to move goods without additional paperwork. By taking on this responsibility, subject to spot checks by customs officials, they achieve around-the-clock

freedom. The Netherlands can also offer prospective investors a level of predictability. Companies can get written agreements from tax inspectors about what their liability will be for fixed periods of up to 10 years. These contracts cannot be overridden by subsequent changes in

government budgets. The "social contract" questions that transfix certain Anglo-American views of continental European business have not proved to be a deterrent to investment. For one thing, says Mr Hanse, the Netherlands had a head start on many of its continental rivals in liberalising

employees, with the consent of unions after negotiation, is far more advanced in the Netherlands than in other continental European countries, and gives employers a measure of Clexibility. On another issue that could influence the choice

between European countries. Mr Hanse expects the prospective Dutch membership of the "euro zone" - if and when a common currency gets the go-ahead - to attract, rather than repel investors. One of the few problems

with the Netherlands is that there's simply not enough of it - in the right location, anyway. "More land", answers Mr Hanse, when asked what single change would make his job easier.

The main shortage has arisen in the corridor leading from the Randstad - the Amsterdam-Utrecht-Rotterdam conurbation - to the south-east towards the Ruhr. Through this area, which takes in much of the south of the country, run the main transport and distribution links with Germany, the Netherlands' single biggest market. For chemicals companies, especially, access to

pipeline networks is crucial. Mr Hanse is hopeful: "Until now, we have not had to say no to any project, and the corridor is widening". He concludes with a practised phrase: "The Netherlands is almost completed, but some minor adjustments are possi-

## IBM chose Amsterdam



for its international logistic and distribution centre, because of the proximity of Schiphol Airport, the flexible customs rulings and the highly skilled labour.

Port of Amsterdam, More than just a port

#### Transport infrastructure: by Gordon Cramb

## Coalition gives the go-ahead

Public-private partnerships are tackling infrastructural needs

Several big infrastructural projects in the Netherlands have recently gained political endorsement after years of prevarication:

A high-speed passenger rail line from Amsterdam with the Channel tunnel, and another fast train link east to Cologne. An all-freight track serving Rühr industry, from a Rotterdam harbour doubled in container capacity. An airport able at peak hours to handle the most flights in Europe.

"It has a lot to do with the new government combinasays Mr Hans van Dord, managing director of Heidemij Advies, part of the country's biggest engineering consultancy. "The inertia is gone - there is the trust and the determination to do something about these big problems in infrastruc-

The ruling coalition of social democrats, reformists and free-marketeers brought together two years ago has managed to forge surprising unanimity on what needs to be done to make the Netherlands work. For the left this means creating jobs: for the right it signals business opportunities.

This consensus stretches into the opposition ranks as well: out of 150 members of parliament in The Hague, only about 10 voted against a proposed fifth runway at Amsterdam's Schiphol airport. The case for the runit in a less populated area ations. will mean that only 10,000 homes will fall within the most affected zone, compared with 17,000 at present. At the same time, it will provide Schiphol with the abil-

to 3m tonnes a year, and directly through the handle 120 aircraft move- so-called "green heart" ments an hour-more than any competing facility in

This is of crucial importance to a hub airport for which as many as 39 per cent of its passengers are merely passing through. More than 25m passengers used Schiphol last year, up 7.6 per cent, and the government has imposed a ceiling south to Paris, connecting of 44m which should be reached soon after 2005.

By then, some 5m should be arriving or departing by high-speed train. London would be four hours' rail journey away: Paris and Frankfurt three hours. "We don't regard this as a says Mr Ruud threat, Wever, an airport official. "Considering the other limits imposed on us... it enables more optimal use of our capacity to serve bigger aircraft for other destina-

Nearly two-thirds of domestic and international freight is conveyed by road

From Amsterdam to London via Brussels and the Channel tunnel is currently a seven-hour trip. A new track is to be built to Antwerp, its route agreed by the cabinet after wrangles with the Belgian authorities on cost and with Dutch interest way rests, unusually, on a groups on environmental reduction in noise. Locating and commercial consider-

> Unless overturned by parliament it will not, to the displeasure of The Hague municipality, call at the country's seat of government. Instead, it was pro

within the conurbation which encircles Amsterdam. The Hague, Rotterdam and Utrecht. To appease environmentalists, an 8km tunnel would shield it from view.

At Fl 7.5bn, it approaches in cost the other most expensive project: the Betuwe line, which will connect Rotter dam port with the German industrial heartland. It will reinforce the position of what has long been the shipment point of choice for many Rühr products, to the chagrin of Germany's own ports such as Hamburg and

Most of the traffic now goes by road. Nearly twothirds of domestic and international freight is conveyed along by the country's increasingly congested highway system. While another third is water-borne, rail takes only 2.5 per cent.

This month, Mrs Annemarie Jorritsma, transport minister, announced the establishment of a consortium grouping government and industry. To be called ITS Netherlands, its aim is to develop logistical solutions for passenger, goods and information traffic. This follows her allocation of Fl2bn over the next four years "to direct freight transport into the right channels" and alleviate con-

As elsewhere, public-private partnerships are being used increasingly to tackle demanding infrastructural needs. A Fl 2.2bn investment programme has linked the Rotterdam city authorities with Europe Combined Terminals (ECT), a stevedoring operation which groups international shipping enter-

Its centrepiece is the Delta Dedicated East (DDE) terminal, a highly automated facility which had its official opening last month. Employing only 100 people full-time. ity to treble cargo capacity posed that the line cut it handles upwards of 100

The new Delta Dedicated East terminal in Rotterdam was officially opened last month. Employing only 100 people full-time, it handles upwards of 100 containers an hour containers an hour. Mr Wouter den Dulk, ECT chairman. sees scope within the harbour and environs for nearly

container development. According to Transport Ministry projections, the port as a whole could be shifting 6m to 7m containers a year by 2020 compared with 3m currently. This is important in maintaining the position of a commercial harbour - still the world's largest - which directly and indirectly provides nearly 40 per cent of jobs in the greater Rotterdam area.

a quarter century more of

Amsterdam port, a sixth of the size, can nonetheless claim that its presence creates 40,000 jobs; nearly as many as Schiphol. Nissan ships hundreds of thousands of cars a year from there as far as Italy, and it handles the world's largest cocoa trade. The Greek-owned Ceres stevedoring group would like to to develop a container terminal. Only the biggest bulk carriers cannot

negotiate its waters.

"These two characteristics fragile, densely-populated land having to cope with huge additional traffic flows to make a living - explain the extraordinary

attention given to infrastructure issues in the Netherlands," says the Rotterdamhased European Centre for

consensus even at the cost of slow planning." And while

works, "Dutch infrastructure policy will face major problems over the coming years - caught between honouring

the Betuwe line and the two high-speed passenger train European commitments and projects have the weight of Infrastructure Studies. local demands to relieve con-Brussels behind them as designated Trans-European Net-"common practice to seek

■ Transport and communications deals: by Gordon Cramb

## Gust of merger activity

Deals are likely to continue emerging as the transport sector is rationalised

Couriers of TNT, the Australian transport and express delivery group, are likely to have been kept busy in the past few months, shuttling corporate documents from the Netherlands to the furthest reaches of the world. A gust of cross-border merger activity has surrounded the Dutch transport, distribution and communications industries.

Destinations for that paperwork have included TNT's own head office in Sydney. KPN, the privatised Dutch posts and telecoms utility, last month launched a Fl2.7bn friendly bid for the

In what at times has felt like a sector reinventing itself, three main trends can be discerned. First, the country's expertise in modern logistical services is proving highly exportable. Boards of quoted public companies in other western markets have in a number of cases been happy to recommend takeover bids made by Dutch-

Second, in older-style, capital-intensive service businesses such as maritime shipping, international alliances are needed to meet competitive pressures.

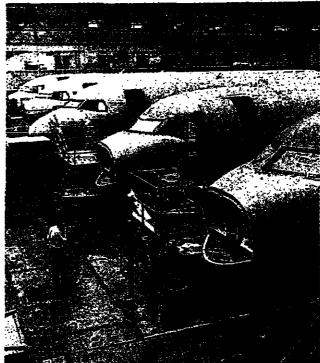
Third, manufacturing of transport equipment is not something that a stand-alone company can any longer readily undertake, if it has to pay the Netherlands' relatively high wages. Such producers will go into foreign ownership, or go under. Sometimes both. And the order varies

So as Fokker's remaining few hundred workers waited to bear on what terms Samsung of South Korea might be prepared to rescue the aircraft maker from bankruptcy. Daf Trucks this month accepted a F1933m offer from Paccar of the US.

Daf, itself bailed out by the government from receivership 3½ years earlier, said the sale of the company offered a broad array of opportunities which we could not realise independently." It sought to reassure its 5,000 staff by saying that while this allowed shared technology and sourcing, the business would continue as it was. But local commentators were scepti-

Job cuts were clearly visible on the horizon as the Rotterdam-based Nedlloyd and P&O of the UK in September agreed to combine their container shipping activities into the world's largest such operator. They went on to agree the purchase by the British company of Nedlloyd's half share in their North Sea ferry services, run jointly for the past 15 years.

On cross-Channel passenger routes, the reshuffle will help P&O address the challenge of high-speed rail and airline price cutting. The combined container unit



Fokker was already under foreign control

aims to pare costs and reap economies of scale in what is a low margin business. At the same time, more of

the world's traffic in bulk freight came under Dutch control as a result of the F1521m agreed purchase by Pakhoed of Univar, the big-gest North American distributor of chemicals. Pakhoed, as a result, became world leader in that sector, and is already adding further storage capacity in the US. Van Ommeren. Pakhoed's chief domestic rival in the bulk storage business, this month said it wanted soon to expand its shipping side through a partnership or

Nothing in the freight business could be further removed from bulk chemicals than overnight courier and parcel services. The bid for TNT by KPN highlighted not only Dutch ambitions in the sector but also how entrepreneurial a utility can become only two years after privatisation. Standard & Poor's, the US credit rating agency, said the deal gave

KPN "a strategic opportu-

nity to create a leading European-based time-sensitive freight business."

The KPN telecoms division has been spending the year collecting stakes in operators from Ireland to Indonesia. It is on a shortlist to become the partner which Telkom of South Africa needs to help it meet demand from black town-

KPN's expansion is needed to offset lower domestic revenues after its monopoly on fixed-line phone services within the Netherlands expires next July. Cable television operators and regional energy companies are among those which are to be awarded licences by the end of the year - as is BT of the UK in a joint venture with NS Telecom, an offshoot of the state-owned

railways. The rail network, too, is feeling the first breaths of competition. Lovers, a company which had previously confined itself to running Amsterdam canals, in August launched the coun-

vice and is seeking permission-to enter five more routes next year, including a connection to Schiphol air-

In the skies, KLM's long-standing alliance with Northwest Airlines appeared to have weathered the worst of a storm last winter when the US carrier erected defences against a possible takeover by its partner. This deprived KLM of voting power for its full 23 per cent stake in NWA, but the Dutch side - since faced with transatlantic link-ups such as that between British Airways and American Airlines is anxious to nurture the relationship.

A takeover of Fokker by Samsung was eagerly awaited, but with qualms about what guarantees the state would get on issues such as jobs and technolog -in return for the Flibn injection the Korean conglomerate was said to be asking.

As outlined in leaks of the confidential business plan Samsung presented to the Economics Ministry, for its money the government would get a 15 per cent stake in Fokker. A holding of similar size would be offered to Stork, the local industrial group which paid F1302.5m for Fokker Aviation, its profitable maintenance and services arm.

Fokker was already under foreign control - its collapse came when Germany's Daimler-Benz declined early this year to fund the then subsidiary any further.

The Dutch government made clear it would not keep Fokker aloft on its own, in .the way that its purchase of a 40 per cent stake put Daf-Trucks back on the road. The state also owns a third of NedCar, Daf's former car plant which now produces Volvos and Mitsubishis.

The Swedish and Japane partners are thought to be haggling with the government over terms on which they might buy it out. With the rationalisation of the tourist barges on the transport sector thus incompiete, the deals are likely to keep on coming.

" soluti

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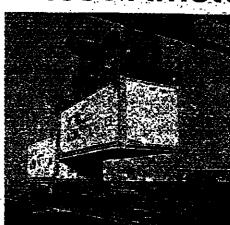
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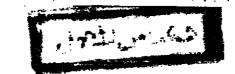
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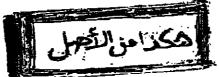
## Ceres chose Amsterdam

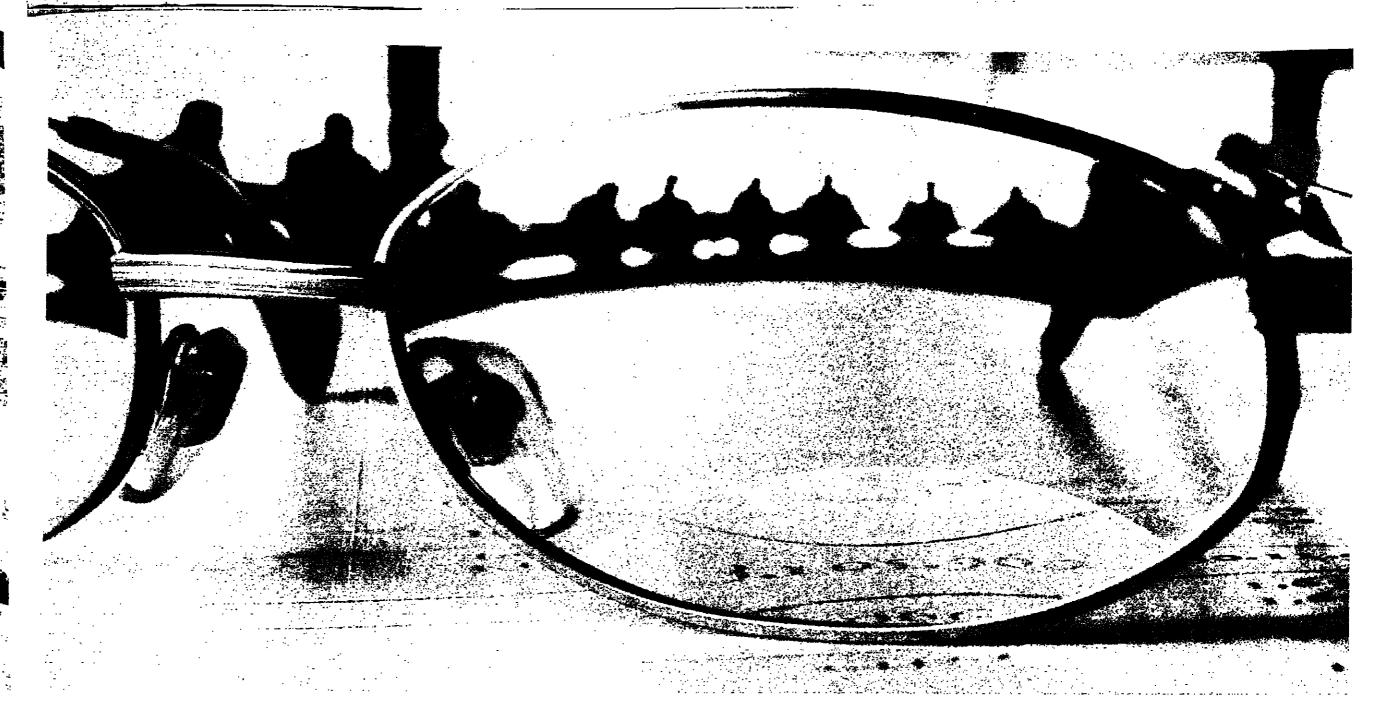


for its container transit terminal, because of the modern facilities, the deep-sea location, and the excellent road, rail and waterway connections;

Port of Amsterdam, More than just a port







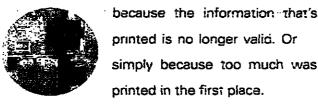
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# Fortune. Chows the second of the second



Two lists from Amsterdam

"An Amsterdam posting? Absolutely, Splendid place. Been there for the odd long weekend, Odd? Come to mention it, it did turn out a bit that way once or twice... but let's not go into that now. Thinking of expanding our presence there, you say? I agree: good location for our people. Tell you what, you send me there and I'll confirm those impressions. Once I've got myself streight, I'll report back." Gordon Cramb attempts to do just that:

What the visitor sees Venice of the North Rembrandt and Van Gogh Tulips at every corner Phones and trains work fine

Easy to escape into the country by car

The bicycle is king Many convivial bars and cafes A service economy Hatel room with all mod cons Favourable tax breaks Police who speak English Everyone speaks English

Helpful local support staff

Rock 'n roll

What the expetriate finds

Any premises you might buy are likely to be subsiding Graffiti on your front door

The PTT cuts you off two days after connecting you; your carriage is under siege from back-packers... Two-year wait for a central Amsterdam parking permit

The bicycle is stolen

Pricey restaurants; stodgy food; A wait-to-be-served economy. And wait, And wait Apartment bereft of light fittings and curtain relis-Hungry accountants

Tax inspectors who speak very clear English. Except the people from whom you are trying to buy light fittings and curtain rails No staff at all, unless you're prepared to pay cash in hand, a big fee to a temp agency, or offer a lifelong

Beyond the red light district and the gay bars, the amber light of political correctness flashes just about

The junke who sleeps on your doorstep expects you to fund his habit because he sweeps the step too (when he's capable)

Blowing in the wind is werbled from every pavement as tin mug solicits contributions. But Casis has given the hippie strummer his first repertoire extension in 25



## Early signs of recovery

By the very nature of its business, NCM Holding, the Dutch credit insurer, has broad horizons. Founded in 1925, it was one of the first national champions in the sector to spot and capitalise on an emerging trend towards liberalisation, buying the short-term business of Britain's Export Credits Guarantee Department when it was privatised in 1991.

But the increasing pace of competition, the rapid evolution of information technology, a need to consolidate after a rapid international expansion and change at the top have combined to put the company into an introspective mood this

A "re-engineering" exercise undertaken with the assistance of McKinsey & Co, management consultants, led earlier this month to NCM's announcement that it would lose 225 jobs; more than 15 per cent of the total. The redundancies are only part of the changes on the short-term side of NCM, which is being re-organised into business units.

The company had already changed its medium-term business from being based on the industrial sectors of its customers, such as capital goods, aircraft and shipbuilding, to the geographic location of their buyers. It also created a special unit for project financing, backed up one or two experts in each sector, according to Mr Anne van't Veer, managing director of the medium-term business.

NCM has signalled. however, that such internal reviews will not obstruct its expansion if the right opportunity arises. This month NCM also announced the purchase of the remaining 75 per cent of EKR Kreditforsikring, the

dominant Danish credit insurer. It had bought a 25

per cent stake in April 1995. EKR not only covers 25 per cent of Danish exports, and accounts for 80 per cent of the country's credit insurance, but it also brings synergies in underwriting. in sectors such as fish and meat products.

The change at NCM is manifested nowhere more than in its plans for information technology. "Information is essential in every regard to NCM's strategy." says Mr Gerard van der Stelt, one of two managing directors of short-term credit busines

more quickly, about their potential customers. NCM is still feeling its way about how much access to give them, without breaching the confidentiality of the information. "We're always testing the boundaries and our customers are always asking for more," admits Mr van der Stelt. While he maintains:

communications but as a

sales tool for policyholders

who want more information.

"We're not primarily in the information business: it's part of the product we deliver" – the NCM Profound service is offered as an extra to customers, at



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the Netherlands. "It is essential that our databases be integrated and be accessible to any NCM underwriter wherever he or she may be. That is a huge undertaking and it's about to go live at the end of the

For the first time, underwriting specifications will be done to a standard format. The database at NCM's Dutch headquarters. more attuned to domestic business, and that at NCM (UK), more export-oriented, both bave 1m buyers. Until the integration, however, someone in Amsterdam had to call Cardiff to find out what was on the British

database. The project was undertaken by Oracle, the software company, but Mr van der Stelt points out: "A lot of functions that have been included in this database are home-grown, built and designed by

ourselves". The system is designed not only for internal

a price - he acknowledges: "We're entertaining the idea of selling it to non-customers as well", to get a foot in the door.

Innovation is not limited to IT: NCM has developed reinsurance facilities to offer political risk coverage without a link to the government of the selling country. This gives it a better ability to offer "one-stop" shopping to multinationals, but whether they actually want it depends in part on how centralised each company's corporate culture is.

Change was also in progress at NCM because it had new leadership. In 1994, its chairman. Mr Harry Groen, then aged 50, announced his plan to retire. He had worked for NCM for 30 years and dominated its culture. He was succeeded in June 1995 by Mr Maarten Hulshoff, a man only three years his junior, who had spent much of his career with Citibank. Market conditions, both

higher claim rates and competitive pressures on premiums, had created a financial squeeze. In 1995, it wrote off Fi 44.8m in extraordinary costs compared with an operating profit of only Fl 33m. This pulled NCM into its first loss since 1983, and it passed its dividend. International expansion led to start-up losses at a number of branches in 1995 The company told shareholders last year it did not expect to reach break-even until 1997.

By earlier this month, however, signs of recovery were in sight. NCM reported an interim after-tax profit of Fl 13.8m compared with a loss of Fl 5.9m in the first half of 1995.

But claim rates in Germany, up to 75 per cent in the first six months of this year against 62 per cent in all of 1996, continued to exert pressure. In such cases, NCM says, it has two main options; to increase premiums or tighten underwriting. In general, it has taken the latter course, setting limits on insured risk and encouraging customers to strengthen the

language in their contracts. NCM's annual report last year pulled no punches when it said 1996 "will make great demands on the commitment and adaptability of our staff." The company now hopes the uncertainty is behind it and it can look forward.

'Competition is a good thing", says Mr Marcel Wendrich, NCM's corporate communications director. "It makes you sharper and it's good for the customers. The situation is changing rapidly. Clients will benefit from it. Shareholders will benefit from it. We're confident the company will benefit from it."

Clay Harris



Graffiti... or art? A special clean-up bus tours M

Picture: Lydia yan der Mo



## Complexity starts at home

The bicycle may be king. . . but it is frequently stol

"Management of AT&T-Unisource's main selling points to customers in the increasingly competitive European telecommunications market. according to Mr James Cosgrove, its chief executive

But that task starts at home, for AT&T-Unisource is without peer in the complexity of the cross-national alliance it is

trying to create. Its headquarters at Hoofddorp, within sight of the southern edge of Amsterdam's Schiphol airport, sits on a new estate where streets are named after planets and stars. The challenge for Mr Cosgrove. a 22-year veteran of AT&T. and his colleagues will be to

their proper orbits. Unisource itself is equally owned by four Ruropean telecoms groups: KPN's PTT Telecom in the Netherlands, Telia of Sweden, Swiss relecom PTT and Spain's Telefónica. The

keep a galaxy of bodies in

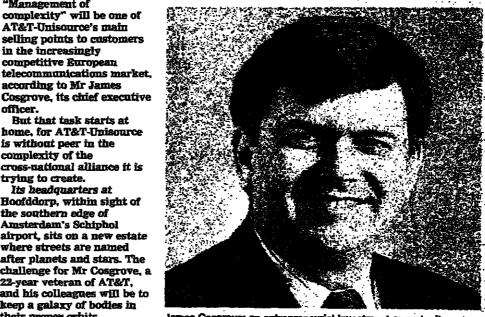
participation of the Span<u>ish</u> company is subject to final approval by the European Commission, depending on the Madrid government's liberalisation plans for the Spanish telecoms market. In turn, Unisource owns

60 per cent and AT&T 40 per cent of a joint venture, Communications Service: (known as Uniworld in a transitional stage), which offers integrated voice, data and messaging services to multinational companies operating in Europe. Unisource and its US partner each owns a 50 per

cent share in AT&T-Unisource Participations, which holds investments in other companies. Other Unisource businesses, such as Card Services, remain outside the scope of the joint ventures with AT&T.

To add to the complexity, each of the European home countries has a Unisource Business Network Which integrates all the data services for customers in its market. At the next level down

the respective domestic PTTs. such as PTT Telecom in the Netherlands, acts as distributor, as well as



James Cosgrove: an entrepreneurial investment opportunity

selling, managing and servicing local area networks.

Factor in the existence of five ultimate corporate parents, each with domestic pressure to justify their investments, and one might see the potential for a telecoms Tower of Babel. For the pariners, there appears to be no alternative

links. Yet its alliance with Unisource tones down its American accent just enough to allay any European concerns about an aggressive US giant.

to huge research and

development resources, and

its global WorldPartners

It brings the best of both worlds, Mr Cosgrove argoes You have to be European to



in a telecoms market studded with transatlantic alliances such as Concert (British Telecommunications and

MCI) and Global One (Deutsche Telekom, France Télécom and Sprint). "It's offence and defence," admits Mr Roger Martin,

vice-president for corporate communications. For Unisource's European owners, the venture brings access they are unlikely to win on their own. But it also helps them to defend their patch in increasingly liberalised home markets by being able to offer multinational companies a full range of services.

AT&T brings a new dimension: the experience of operating for more than a decade in a fiercely competitive market,

play in Europe and yet you have to offer global solutions." He welcomes the 'aggressive smallness" relative terms - of the

Unisource partners.

From the Hoofddorp entre of AT&T-Unisource's spinning solar system, Mr. Cosgrove sees the compan as an entrepreneurial investment.

It has elements both of a division within a confederation and of a start-up company, but more of the latter. It is like a start-up in that it requires business plans, "milestor and regular reports to investors, yet it has the ability to pull resources and expertise from shareholders The five shareholders have diverse interests. Mr Cosgrave concedes, but he can cherry-pick personnel

out of individual companies. corporate identity in a company which has no nationality. Half of alliances don't work because of cultural issues." Mr Martin save "Working practices of two years have ironed that out remarkably well. We have learned that won have to see this thing as a common operation. Otherwise too many bad

compromises can be made." Mr Henk Koning, now managing director of Unisource Business Networks Nederland, was one of the first participants in the PTT Telecom international project in 1991 which led in stages to Unisource. He has seen a similar evolution as each new partner joined. "Equal positions are one of the strengths; we each have peers in the organisation.

In spite of this emerging culture, Hoofddorp is without doubt the hub. which may require some finesse to avoid the company being identified as too "Dutch".

The only divisional headquarters to be located elsewhere is that for multimedia, previously part of AT&T, which will remain in Geneva. 🛶 🦠 Mr Cosgrove, however, is openly enthusiastic about

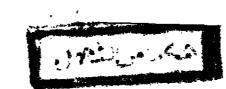
the Netherlands as a home "We're fortunate to be in Holland. It is an extremely favourable society for absorbing the non-Dutch.

There is a high degree of acceptance, not just toleration, of multinational diversity." Although he inherited Hoofddorp, he says he would choose it again even if

starting from scratch. Its proximity to Schiphol - on the side away from Amsterdam and traffic — is a huge advantage.

Relationships among the Unisource partners and between them and AT&T are likely to remain a matter of scusitivity. The question of bow - or whether - to Punctuate the company's name was deliated until the conclusion was reached that a hyphen carried exactly the right nuance.

Clay Harris







## **CURRENCIES AND MONEY**

# Battered yen hits three-and-a-half year low

MARKETS REPORT

The yen resumed last week's side, closing at a 42 nonth low against the dollar and just off its 44 month worst gainst the D-Mark in London yesterday. After crashing through the supposedly tough "Bentsen ceiling" of Y113.6 it ended the day at Y114.3 against the US cur-

rency, and Y75,15 to the D-Mark Most currency strategists say the yen is being driven lower by Japanese investors seeking higher yields almoad. Japan is expected to stimulate its weak economy through lax monetary policy rather than by fiscal means.

thus keeping the yen weak. . The Swiss franc, another low yielding currency, closed near a 14-month low of SFr0.829 to the D-Mark. Traders think the Swiss National Bank would welcome a further fall, as the Swiss · franc's · strength is

POUND SPOT FORWARD AGAIN

most of the day, touching DM2.459, but after late profit taking it closed in London at DM2.451, having added 0.7 prennigs to its Friday gains of 2.1 pfennigs. Against the dollar the pound closed four fifths of a cent higher at \$1.612

The dollar dropped two fifths of a piennig against the D-Mark to DM1.520. The Canadian dollar closed unchanged despite a 25 basis point rate cut.

■ The yen suffered from news that there will be no Japanese supplementary budget to stimulate the economy until January. But most of yesterday's yen fall continued last week's trend. The general election of October

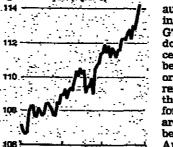
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E Pour	ed is New Y	erk
Oct 28	····Latest	Prev. close
£ spot	1.8125	1.8050
1 mili	1.6118	1_6043
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20 has strengthened the Lib-Sterling rose sharply for eral Democratic Party, which is wary of fiscal stimulus, while the Bank of Japan said last week that it expected to keep interest rates low.

> Japanese emboldened by the yen's fall, have continued to buy foreign currencies, particularly sterling, which rose Y2.3 to Y184.2 in London yesterday.

> Some analysts think that after the US election Washington may call for a weaker dollar against the yen over concern about the US trade deficit. But with purchasing power parity suggesting that the dollar would be fairly valued at Y130, most analysts believe that for now Washington is relaxed about the dollar's rise.

■ The dollar's gains since September are largely due to foreign central bank buying of the currency, according to earch published yesterday by Mr Paul Meggyesi, senior currency economist at Deutjust \$4.2bn. Mr Meggyesi says this



sche Morgan Grenfell in London. He says that with the US current account deficit growing, central hanks must continue buying dollars just

to keep the currency static. Foreign official holdings of US Treasuries rose by about \$21bn in September, according to the Federal Reserve. By comparison, the \$44.6bn growth in the entire first quarter of this year was itself a record, while growth

DOLLAR SPOT FORWARD AGAIN

0.465 1.235 0.517 0.619 1.205 0.629 1.278 0.590 0.793 0.694

77,248 2,523

in the second quarter was

autumn's growth has nothing to do with last summer's decision to support the dollar. Rather, a range of central banks seems to have been buying dollars, not in order to prop up the US currency but so as to weaken their own. No reserve figures for individual central banks are yet available for September, but Mr Meggyesi fingers Australia, China, Sweden, Brazil and Indonesia as

Without the central banks the market clearing level for the dollar would be lower and/or US interest rates higher," says Mr Meg-gyesi. But because several

likely dollar buyers.

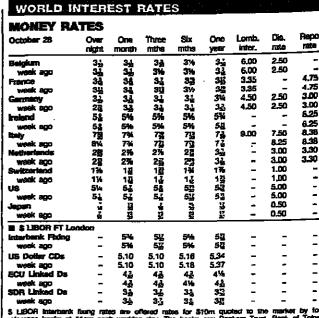
banks seem to be buying dollars, the chance of a sudden collapse in the currency is reduced, he says.

■ Despite yesterday's Bank of Canada rate cut, the Canadian dollar closed unchanged in London at C\$1.344 to the US dollar. The 25 point cut took the rate to level since 1963.

Mr Paul Lambert, senior currency economist at UBS Bank in London, said: "The market has been pricing in rate cuts on the back of the improving fiscal picture in Canada."

Mr Gerard Lyons, chief economist at DKB International in London, added: "Interest rate cuts are not necessarily currency negative at present, because lower rates can be positive for the assets of the country in question."

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f	Oct 28	Short term	7 days notice	One month	Three months	Six months	One year
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r	96.41	96.41	-0.01	95.42	96.40	5,243	50,971
1	96.35	96.33	-0.03	96.36	96.32	3,970	29,299
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	Open	Sett price	Change	High	Low	Est. vol	Open in
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n	96.68	96.64	-0.05	96.68	95.62	23115	16926
p	96.46	96.43	-0.06	96.48	96.41	21510	154600
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5	93.20	93.14	-0.10	93.26	93.13	14701	48919
7	93.49	93.41	-0.09	93.52	93.40	5114	31122
P	93.53	93,47	-D.O8	93.56	93.47	3294	23015

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95.89

Daily Mail and General Trust plc

5½ per cent. Exchangeable Bonds Due 2003 exchangeable for ordinary shares of

Reuters Holdings plc

Cancellation of increase in coupon payments during 1997, 1998 and 1999 and extension of no call protection until 1999

ordinary shares, due to a change in tax legislation. The implications for Bondholders are that amendments to the terms of the Bonds announced by Daily Mail and General Trust plc (the "Issuer") on 20th September, 1996 and advertised on 4th October, 1996 are effectively cancelled as they will

and anotherised on 4th October, 1990 are effectively cancelled as they will not apply unless Reluters original proposals are put to, and approved by its shareholders. The cancelled amendments to the terms of the Bonds had involved additional 3¼ % coupons in October 1997, 1998 and 1999, plus the deferral of the Issuer's optional date to 30th October, 1999.

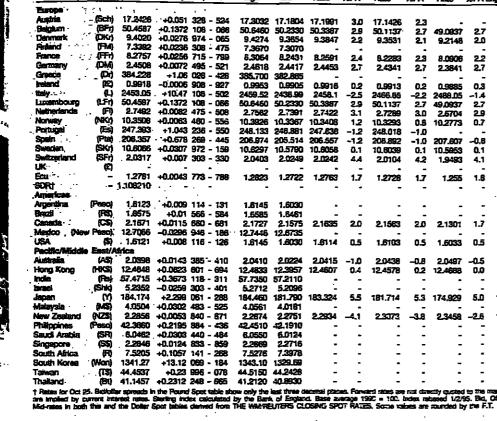
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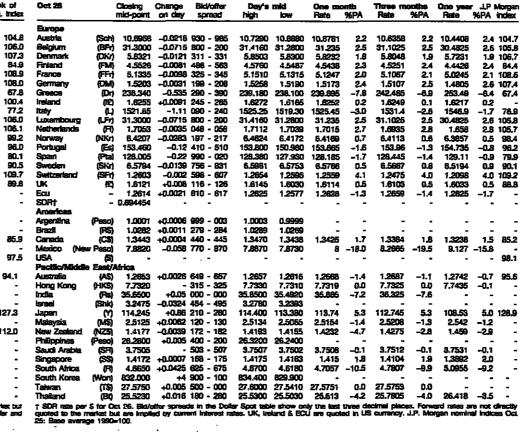
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95.89 95.89 95.84 95.74 95.87 95.89 95.83 95.75 -0.02 -0.01 -0.03

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of the Bonds. October 29, 1996, Landon

By: Calbook, N.A. (Corporate Agency & Trust), Agent Bank CITIBANC

Republic of Poland

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October 29, 1996 to April 29, 1997 has been fixed at 6.5% and that the
interest payable on the relevant Interest Payment Date April 29, 1997 for
the first interest period will be US\$32.86 in respect of US\$1,000 nominal
of the Reach.

Odober 29, 1996, London By: Citibank N.A. (Corporate Agency & Trust), Agent Bank CITIBANC

BRITANNIA BUILDING SOCIETY

Issue of up to £50,000,000 Floating Rate Notes Due 2005

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month Interest Peniod from (and including) 25th October 1996 to (but excluding) 27th Ianuary 1997 the Notes will carry a rate of interest of 6.67708 per cent per annum. The relevant Interest Payment Date will be 27th January 1997. The coupon amount per 51,000,000.00 Note will be £17,195.77 payable against samender of Coupon Not 28.

Hambers Bank Limited Agent Bank

Sector reports by Fax Media 0891 437 156

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2473 2.771 10.43
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1188 1.332 5.015
2312 2.591 8.755
1207 1.363 5.094
2453 2.749 10.35
1132 1.269 4.776
1522 1.705 8.421
1332 1.492 5.619
1919 2.151 8.999
or 10; Balupus Fanc. Yea, Sac. 4.857 2.507 2.962 1 2.471 1.966 1.055 1.199 0.405 1 16.40 8.802 10 3.377 100 53.67 60.97 20.59 2.471 1
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0.892 0.361
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1.208 0.488
2.451 0.932
1.131 0.458
1.520 0.615
1.331 0.539
1.818 0.776 9.475 0.383 3.420 9.084 3.800 4.555 8.861 4.627 9.402 4.339 5.833 0.337 3.011 7.996 3.345 4.010 7.800 4.073 6.276 3.819 5.134 4.493 6.478 (S) 31.30 (Y) 27.39 39.48 E D-MARK FUTURIES (MM) DM 125,000 per DM Latest Change High Low 0.6599 0.6635 0.6678 0.6599 0.6575 0.6635 0.6624 27.271 152 1 59,908 3,553 2,444 +0.0004 E SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr UK INTEREST RATES LONDON MONEY RATES Three months One month Over- 7 days night notice

93.92

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10.09 8.414 920.00 75.08 199.4 100. 83.43 119.9 100. 233.2 194.5 121.8 101.6 247.4 206.4 114.2 95.25 133.5 128.0 134.3 112.1 193.6 181.5

SKr

21.03 4.027 11.28 2.161 12.82 2.455 4.329 0.829 10.70 2.048 0.433 0.083 3.860 0.739 10.25 1.963 4.289 0.821 5.141 0.984 10 19 15 5.221 1 10.61 2.032 4.896 1.281 5.760 1.103 8.302 1.590

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

Latest Change High 0.8821 -0.0053 0.8880 0.8935 -0.0054 0.8935 0.9105 -

1.050 2.042 1.066 2.157 1 1.344 1.176 1.696

Low 0.8900 0.8912

19,078 101 138

Up to 1 1-3 3-6 month month months month months 5 512 5 Cents of Tax dep. (£100,000) II THREE MONTH STERLING PUTURES (LIFFE) 5500,000 points of 100% Est vol Open int. Open Set price Change Low 7908 9591 93.92 93.74 93.42 93.15 92.92 -0.01 -0.03 -0.05 -0.04 -0.06 93.92 93.76 93.46 93.17

PUTS 0.49 0.68 0.87 3.04 3.12 0.34 0.19 0.33 0.53 0.07

93.73 93.40 93.13 92.91

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BASE LENDING RATES

Adam & Company Duncan Lawrie 575 Exper Bank Lossed 6.75 aRea Brothers 5.75 Alloc Insh Bank (GB) 5.75 Royal Blad Scattered 5.75 eSinger & Fractander 5.75 eSmith& Wildram Sens 5.75 Alled Trust Bank Firencial & Gen Bank 7.00 5.75 **O**Hemy Arstache eRober Ferror & Co.5.75 5.75 Section: Widows Seria 5.75 Grebenk 5.75 Scott @Guinness Marion 5.75 TSB 5.75 Bonco Bilhan Vistaya 575 Bank of Cyprus Uneschark of Kusat 5.75 Hattib Barris AG Zunch 5.75 Undy Teat Bank Pc 5.75 OHERCOS BENK 5.75 Bank of India Heriatte 3 Gen and Br.5.75 Western Trust 5.75 Spirit of Sectard 575 Whenasy Lactor 5.75 5.75 C. HOARD & CO Bat Sk of Mid East Hompium & Strangton 5.75 etron Shairy & Colar 5.75 July Hote Bank 575 575 CONTRACT SERVICE @Legget 3 Sore 5.75 Cyclesdate Bath Caryon Barr The Co-operative Buris 75

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E STERLING FUTURES (IMM) 982,500 per 9 1.6114 +0.0068 1.6100 +0.0070 1.8080 +0.0068 1.6022 1.6090 1,6116 EMS EUROPEAN CURRENCY UNIT RATES Rate Change against Ecu on day Oct 28 0.778704 194.431 5.78842 162.174 -0.00498 +0.431 +0.00458 3.31 2.26 2.22 1.75 1.17 0.85 0.71 0.71 0.16 0.00 11 5 4 1 73 5 8 6 0 -10 -13 -1.71 -0.70 -0.66 -0.20 0.37 0.69 0.83 0.84 1.39 +0.09458 +0.183 +0.00213 +0.0374 +0.00174 +0.00691 +0.00891 2,15012 39,6674 1,92597 1.91007 13.4383 7.28580 6.40608 13.5507 MEMBERS 302.020 1925.27 0.784743 -1.53 CHICAS FIRE.

(17/992) Storing and basin Lins suspended from ERM. Adjustment calculated by the

M. PHILADELPHIA SE 2/5 OPTIONS 231,250 (cents per pound) 0.08

2.55 1.78 1.10 0.69 0.27 2.44 1.85 1.36 0.97 2.90 0.57 1.08 1.75 3.06 2.23 3.99 Prev. day's open int.. Calls 149,998 Puts 139,982 E THREE MONTH EUROPOLLAR (IMM) \$1m points of 100% Low Est. vol Open int. Change High Labori 94.40 94.33 94.19 94.39 94.31 94.17 45,654 466,812 85,952 384,401 53,935 279,212 94.40 94.32 94.19 Dac Mar Jun TO US TREASURY BELL FUTURES (IMM) Stm per 100% 94.95 84.94 94.84 94.84 94.69 **\_00**1 94.69 94.69 All Open interest Sgs. are for previous day EUROBEARIC OPTIONS AUFFE) DM1m points of 100%

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CALLS

0.72 0.52

0.19

PUTS

0.08

0.13 0.21

0.09

uus markets

## **COMMODITIES AND AGRICULTURE**

# Liffe may take on olive oil futures

By Deborah Hargreaves

Olive oil futures and a soft and agricultural commodities index are new products being considered by the London international Financial Futures and Options Exchange for its newly acquired commodities sec-

"We are looking at the long-term potential of several projects, but we have to do the research to see what's viable," said Mr Clive Furness, director of commodity

Liffe merged with the London Commodity Exchange in September, bringing futures contracts on coffee, sugar, cocoa, wheat and freight futures under its auspices. Although the commodities contracts continue to be traded on a separate floor, 70 companies have bought the special "F" shares which allow them to trade commodities products.

"We have to make our products visible and accessible to financial traders, but a lot of them started off in the commodities markets in the first place," said Mr Furness. Mr Furness is now working on a business plan for

developing commodity products that will be put to the Liffe board on November 19.

hoping their merger with Liffe will give them wider access to the huge pool of cash controlled by managed futures funds. Mr Furness is working on a plan to market the commodity contracts to these funds, which are very active in the Liffe market.

The extra business that could be attracted to commodities is shown by the ratio of futures business to the amount traded in the physical market. This ratio is seven to one in Liffe's cocoa futures, but 11 to one for a similar product traded on New York's Coffee, Sugar and Cocoa Exchange. The ratio for Liffe coffee futures is four to one.

Mr Furness is also working on an options management system to update its process of pricing up options at the end of the day's trading. Over the longer term, he would like to develop a soft and agricultural commodities index that would be based on a weighted basket of futures contracts.

Mr Furness also believes the futures contract on the Baltic freight index has enormous potential. This contract currently trades 100 to 200 lots a day, but if the ratio of futures to physical business was only one to one, it could trade 7,200 a the road leading to the



Pitched battle: residents of Olympiada defend their archaeological heritage against TVX's plan to establish a \$200m gold extraction plant in the area

# TVX gold project faces further delay

TVX Gold's troubled \$200m investment project in northern Greece faces further delay after the discovery of an ancient city on the proposed site of a gold extraction plant.

Residents of Olympiada a village close to the Canadian company's concession area - claim the plant would prevent the development of a local tourist industry based on the area's rich archaeological heritage.

respite after local protestors removed their blockades on jects in Greece, which has a Olympiada mine. The resi- and an important tourist

dents were placated when industry. The TVX project is the government announced one of the largest industrial an independent inquiry into TVX's concession area.

Excavations have been started already at Olympiada to unearth the city of Stagira, where the philosopher Aristotle was born in 384BC. The second ancient city on the site of the planned gold extraction plant was discov-

ered after the Greek archaeological service won a court order to survey the area around the Olympiada mine. The latest find underlines TVX had been hoping for a the difficulties investors face in setting up greenfield pro-

profusion of ancient remains

investments in Greece for more than 20 years. In December TVX paid \$44m for the assets of Cas-

sandra Mines, a bankrupt lead and zinc ore producer. in a deal agreed with the Greek development ministry under the country's privatisation programme. The company planned to

refurbish mines at Olympiada and Stratones, another seaside village, to carry out further prospecting and build a plant to extract gold from a 200,000-tonne stockpile of ore residue with pres-TVX, which operates gold

Brazil and Chile, has said that reserves at the Cassandra mines are estimated at 4.4m ounces of gold. The plant would process 300,000oz of gold equivalent yearly, with an estimated recovery rate of more than

90 per cent. Despite the socialist government's pledge to expedite the project, TVX Hellas was unable to gain access to the Olympiada mine from January until last week because of the road blocks. Earlier this month, the company threatened to shut down operations at Stratones and lay off several hundred

mantopoulou. Greece's development under-secretary, announced the independent study, which she said would decide the location of the plant. Igme, a state mining-research insti-tute, is expected to carry out the study, which should take about three months.

TVX's concession covers about 300 square miles of forest on the Chalcidice peninsula.

Because the area was an important source of timber and minerals in antiquity and is still sparsely populated, it has a high density of ancient settlements, many of them unexplored.

# **Exchanges** urged to help EU farmers

By Alison Maittand

European commodity exchanges need to make strategic alliances and promote new contracts to give farmers in the European Union the risk management tools they need as governments withdraw financial support for agriculture, a London conference heard yesterday.

Mr Lamon Rutten, responsible for risk management policies at the UN Conference on Trade and Development, said the next round of world trade reforms and the eastward enlargement of the EU meant that "within a decade, [farmers] will have to learn how to stand and walk on their own".

New agricultural contracts introduced by European exchanges had not been particularly successful, he told a meeting on risk management in European agriculture organised by ICM, an international conference company.

It would take time for new contracts to be accepted. But there was no reason for European exchanges "to play second fiddle" to the US. "An enlarged Europe is a larger producer of many agricultural commodities than the US," he said. Exchange management, promotion and strategic alliances would determine Europe's success. He suggested the EU could learn from Mexico, which continued price support for farmers and processors for a transition period after deciding in 1989 to reduce its role in agricultural marketing.

For four years, Mexico paid local processors the difference between a government-set local price for grains and the price of the imported commodities, hedging most risks with the Chicago Board of Trade.

# Crude oil rallies on rumours of Amoco gasoline buying

MARKETS REPORT

By Robert Corzine and Philip Coggan

Crude oil prices rallied yesterday on the back of strong buying of gasoline in US gulf coast markets. The price of the benchmark Brent Blend for December deliv-

barrel in late London trading, up 38 cents.

Analysts said the latest rally was spurred by rumours that Amoco, the US oil company, had been buying gasoline in gulf coast wholesale markets for the past week because of problems at its large refinery complex in Texas.

Heating oil prices, which have underpinned the crude oil rally over the past month, firmed in north-west Europe as Turkish buyers entered the market,

In the US, traders awaited news from a planned meeting between Ms Hazel O'Leary, the energy secretary, and legislators on her talks with oil industry representa-

tives to avert a heating oil short- analyst at Rudolf Wolff, said the based buying, after the metal age this winter. On the London Metal Exchange,

copper consolidated above the \$2,000-a-tonne level that it breached last week. Late liquidation restrained the price, which faltered after reaching a sevenweek high of \$2,042.

Mr William Adams, research

metal's rally from \$1,900 on October 17 had been inspired by stock draw-downs, generally thought to be caused by the Chinese government topping up its stockpile.

Aluminium, like copper, faded yesterday. Last business was at \$1,415.50 a tonne, down \$19. while nickel rose on the back of chart- \$7,409, up \$139.

pushed through \$7,250 a tonne on

Friday. The price passed \$7,300, a

level at which some traders had

previously sold short - sold metal

they did not own in the hope of

buying it back at a lower price.

The price rose further as they cov-

ered their positions, to close at

## COMMODITIES PRICES

ALUMINIUM, 99.7 PURITY (5 per tonne)

BASE METALS LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

	Cash	3 mths
Close	1394.5-5.5	1423~4
Previous	1408.5-09.5	1436-35.5
High/low	1399	1441/1414.5
AM Official	1398-9	1426.5-7.0
Kerb close		1415. <del>5-6</del> .0
Open int.	227.475	
Total daily turnover	74 <b>,007</b>	
E ALUMINIUM AL	LOY (\$ per to	nne)
Close	1245-50	1270-75
Previous	1258-63	1281-83
High/low		1290/1266
AM Official	1248-50	1275-8
Kerb close		1265-70
Open int.	5,851	
Total daily turnover	1,242	
LEAD (S per ton	ne)	
Close	739-40	745-7
Previous	730-1	737-8
High/low		748/739
AM Official	733-3.5	740-1
Kerb close		745. <del>5-6</del> .\$
Open int.	39,398	
Total daily turnover	11,709	
NICKEL (5 per t	onne)	
Clase	7305-15	7415-20
Previous	71 <b>55-65</b>	7260-70
High/low	7240	7450/7270
AM Official	7235-40	7360-65
Kerb close		740 <del>9</del> -10
Open int. Total daily turnover	44,310 17,977	

# TIN (\$ per tonne) 5990-95 6020/6000 High/low AM Official 5950-60 6005-15 6000-05 15,591 4,310 Total daily turnove ZINC, special high grade (\$ per tonne) Close Previous High/low AM Official 1053-4 . 1030-31 Kerb close

E COPPER, grade A (S per tonne) 2040.5-42.5 2042/2015 Kerb close LME AM Official 2/5 rate: 1.8128 LME Closing E/5 rate: 1.6145

-120 101.15 99.30 627 1.280 -1.70 97.70 95.35 214 2.352 -1.70 97.30 94.80 14.241 26.320 -1.50 94.80 94.80 178 1.750 -1.50 93.00 92.00 33 975 91.85 2,513 11,474

Spot: 1.6125 3 metrs: 1.6106 6 ventrs: 1.6089 9 metrs: 1.6089

PRECIOUS METALS

■ LONDON I (Prices Supplie			<u> </u>
Gold(Troy oz)	\$ price	Viupe 2	SFr equiv
Clase	383.00-383.30		
Opening	382,70-383,00		
Morning fix	382.80		483.706
Afternoon fix	382.90	237.354	482.942
Day's High	383.00-383.30		
	382.50-382.80		
December Alase	392 50-392 9D		

Loco Ldn Mean Gold Lending Rates (Vs US\$) \_3.51 1 month

304.85 309.15 491.85 488.20 Spot 3 months 504.40 517.05 6 months 322.20 £ equiv. Gold Coin \$ price 381-384 235-238 55-57

Precious Metals continued

ge High 4 383.7 - 384.9 1 387.0 1 389.0 1 391.4 1 393.8 MEX (50 2 386.5 2 394.5 2 394.5
- 384.9 .1 387.0 .1 389.0 .1 391.4 .1 393.8 MEX (50 2 386.5 2 391.5 .2 394.5
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.1 389.0 .1 391.4 .1 393.6 MEX (50 2 386.5 2 391.5 .2 394.5
.1 391.4 .1 393.8 MEX (50 2 388.5 2 391.5 2 394.5
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5 500.5 5 -
5 500.5

**ENERGY** CRUDE OIL NYMEX (1,000 barrels. \$/barrel)

Jen	24.73	+0.34	24 82	24.26	13,415	54,73
Feb	24.21	+0.32	24.28	23.83	4,682	36,61
Mar	23.41	+0.29	23.75	23.33	3,921	2227
Apr	29.24	+0.31			2.249	
May	22.33	+0.14	22.75		1,534	
	22.30	~u. !~	22.73	تنصيع	63,209	
Total					ويعجدو	401,33
E CR	JDE Œ	L IPE (S	/barre	Ŋ		
	Latest	Day's			_	Орея
	price	change	High	Low	Yol	int
Dec	24.25	+0.50	24.25	23.78	12,952	74,56
Jan .	23.54	+0.39	23.54	23.20	5,718	39.81
Feb	22.85	+0.30	22.86	22.58	1.447	23,71
Mar	22.20	+0.26	22.20	22.00		
	21.60				861	
May	20.92		21.02		260	
Total						0.00
■ HEA	TING (	DEL HYN	EX (42,0	00 US g	alls: c/L	S galls
	Latest	Day's			-	Oped
		change	High	Low	Val	int.
	77 EA	. 0.70	70 70	70.00	19 074	20.00

72.50 +0.78 72.70 70.80 13,074 20,251 72.60 +0.93 72.70 70.70 14.279 41,179 71.95 +0.88 72.10 70.45 4,479 29,590 70.30 +0.83 70.40 69.05 2,908 14,451 67,50 +0.78 67,70 66,60 1,104 8,467 82.80 +0.48 63.80 63.15 282 5,069 37,502 136,247 Mov Dec Jan Feb Mar Apr Total 227 00 +2.75 228.00 222.50 7.604 28.694 221.75 +2.50 221.50 218.50 4.603 22.708 217.25 +1.50 216.75 214.75 1.802 18.812 211.50 +2.00 210.00 208.50 204.00 +1.75 203.00 201.50 230 6,363 442 5,896 180 4,217 196 75 +1.75 195.00 194.75 15,124 101,448 ■ NATURAL GAS NYMEX (10,000 mmBlu.; SymmBlu.)

2,775 +0,071 2,810 2,705 21,104 38,630 2.730 +0.053 2.760 2.710 8,139 23,909 2.540 +0.040 2.550 2.510 3,470 13,445 2.365 +0.045 2.375 2.335 1,491 9,529 2.150 +0.020 2.185 2.165 327 5,390 2.150 +0.020 2.185 2.165 327 5,390 2.060 -0.030 2.095 2.070 370 4.804 NYMEX (42,000 US galls.; c/US galls.

+1.35 71.75 69.70 11,006 17,561 +0.93 68.80 67.25 54.935 22,536 +0.52 66.90 65.80 3,786 12,286 65.10 +0.05 68.15 65.30 65.30 +0.05 66.25 66.25 65.30 +0.05 66.25 66.25 161 2,309 67.20 +0.10 68.00 67.00 172 2,451 GRAINS AND OIL SEEDS

WHEN DIFFE IT POI WHILE							
		Day's change		Low	Vol	Open ånt	
Nov	97.45	-0.55	97.45	97.40	26	278	
Jag				98.50	97		
<b>U</b> br	100.40				82	1.791	
Lev .	101.75				131	1.457	
ini.	103.25			_	_		
Nov		_	_	_	_	138	
Total					336		
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- "	1001	ייילי וי	NOO III	ai, cena	2000	103101	
Dec	382.25	-7.5	390.00	380.00	11,248	33,209	
Mar	376.75	-5.5	383.00	375.00	4,667	15,723	
May	362.25	-5.25	369.00	362.00	282	2,066	
<b>,</b>	351.75						
Sap	355.00				8	288	
Dec	362.00	-1	366.00	362.00	1	155	
(otal					16,848	61,637	
E M/	WZE CB	T (5.000	) bu mi	n; cent	/56% b	ushel)	
Dec	275.25		276.50	274.25	32 389	143.850	
Mar	280.75				12,647		
day	2B6.25						
hư .	269.00						
	283.00						
lec	280.75						
rotei						334,403	
	RLEY L	EEE 10	ner to	nnei			
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95.00 95.00 36 702.25 +1.75 706 00 700.50 39.725 48,581 703.50 +4.5 706.00 699.50 22,062 55,175 +8 712.50 707.50 SOYABEAN OIL CBT (60,000lbs: cents/lb)

23.13 -0.14 23.40 23.08 6,186 49,648 23.40 -0.15 23.64 23.35 2,242 17,706 23.78 -0.09 23.95 23.70 1,256 16,888 24.13 -0.02 24.25 24.00 578 9,446 24.45 +0.03 24.45 24.35 639 3,723 24.50 +0.05 24.55 24.50 4 1,338 37.23 24.50 +0.05 24.55 24.50 4 1,338 SOYABEAN MEAL CST (100 tons; \$/ton) 
 230,0
 +1.3
 230.8
 228.7
 10,793
 42,411

 225.8
 +1.2
 226.5
 225.5
 2,240
 9,398

 222.0
 +1.2
 222.8
 221.0
 2,923
 18,024

 219,7
 +1.6
 220.7
 219.0
 1,414
 9,546

-1.5 +28 +22 +19 +10 1305 1300

+15 1150

Nov Mar Apr May Jun Total

386 786 196 100 +3.75 711.00 707.00 9.538 30.531 +5 712.00 705.50 2.147 16.652 +7 714.50 709.00 3.293 14,816

10,948 100,959

FUTURES DATA All futures data supplied by CMS.

The Tea Broker's Association reports, good demand. Landed quality asserts sold well with prices appreciating up to 200 pence for the best. Mediums remained about steady. East Africans were fully firm with mediums showing a dearer ten-Offshore good competition at firm rer rates. Quotations: landed best available 200p/kg., good 128p/kg., good medium 117p/kg., medium 107p/kg., low medium 90p/kg. The highest price realised this week was 200p for a North India pf. E COCOA LIFFE (E/A 927 994 28,036 954 3,456 42,502 970 697 16,761 985 620 11,932 938 965 980 993 1008 1012 Dec Feb Apr Jun Aug Oct Total 1000 234 4,828 1012 20 4,519

1360 1390 1405 1423 1428 1346 5,722 25,177 1372 2,659 23,856 1391 1,187 8,943 1410 104 6,469 1420 72 5,780 1374 1391 1410 -15

EL COCOA (ICCO) (SDR's/tonne) COFFEE LIFFE (S/tonne 1524 1530 1515 1,001 6,963 1394 1378 1 151 15 030 1320 1308

■ COFFEE 'C' CSCE (37.500tbs; cents/lbs) 105.85 +1.75 106.40 104.25 1.602 9.356 104.00 +1.40 104.00 102.75 103.25 +1.00 104.00 103.00 102.25 +0.10 102.25 102.25

103.40 +0.80 102.75 102.75 E COFFEE (ICO) (US cents/pound) Oct 25 -2.6 318.2 315.0 705 8,115 -2.9 315.2 311.8 1,091 11,914

-2.9 315.0 312.0 -2.4 316.5 314.5 -2.3 310.0 309.5 309.4 -2.4 313.0 312.0 SUGAR '11' CSCE (112.000lbs; cents/lbs) 10.54 -0.16 10.73 10.53 2.815 84,782 10.59 -0.12 10.74 10.59 600 29,167 10.53 -0.09 10.63 10.52 320 18,919 10.52 -0.09 10.61 10.52 117 10,661 10.50 -0.05 10.58 10.50 9 3.293 10.46 -0.05 10.54 10.52 - 654 E COTTON NYCE (50,000lbs; cents/fbs)

72.75 +0.21 73.34 72.40 4,924 25,578 74.30 +0.19 74.90 74.95 883 13,198 75.35 +0.20 75.80 75.02 304 7,936 76.03 +0.33 76.45 75.75 132 6,580 74.30 +0.19 74.90 74.05 75.35 +0.20 75.80 75.02 76.03 +0.33 76.45 75.75 76.40 +0.10 76.45 76.40 76.27 +0.02 76.50 76.25 6,300 59,508 IN ORANGE JUICE NYCE (15,000/bs; cents/fbs) 113.80 +2.80 115.00 109.50 514 5,773 104.30 +2.65 105.00 101.00 701 7,913 106.00 +2.00 106.00 104.00 183 4,140 111.15 +5.00 111.15 105.60 113.25 +5.00 - -958 537

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

Dec Mar

Hor Jas Mar May Jos

INDICES Reuters (Base: 18/9/31 = 100) Oct 28 Oct 25 month ago year ago 1876.5 1881.7 1882.5 2098.0 CRB Futures (Base: 1967 = 100) Oct 25 Oct 24 month ago 243,26 241.90 GSCI Spot (Bese: 1970 = 100) month ago year ago MEAT AND LIVESTOCK. ■ LIVE CATTLE CME (40,000lbs; cents/lbs)

66,675 +0.875 66,800 65,850 4,478 40,145 83.525 +0.75 63.800 62.875 1,760 18.104 64.975 +0.4 65.150 64.625 1,042 12,005 62.775 +0.275 63.050 62.550 651 5.597 62.375 +0.3 62.600 62.300 323 5.833 64.875 +0.2 65.075 64.750 108 2.980 33.57 +1.42 33.57 3.68 1.35 7.986 69.550 +1.475 69.700 68.375 288 3.153 74.075 +0.925 74.500 71.500 61.75 69.700 68.925 +0.725 69.000 68.100 41 687

N PORK BELLIES CME (40,000fbs; cents/lbs) 

71,700 +2.1 71,500 69,100 71,675 +1.775 71,500 70,700 70.700 +2 69,200 LONDON TRADED OPTIONS

COPPER 133 89 57 31 72 135 COFFEE LIFFE EL COCOA LIFFE 37 27

LONDON SPOT MARKETS IN CRUDE OIL FOB (per barrel) . Brent Blend (dated) Brent Blend (Dec) +0.345 +0.555

\$24,45-4,46 \$24,51-4,52 IN OIL PRODUCTS NV \$228-229 Heavy Fuel Oil Naphtha Jet fuel \$119-121 \$226-228 \$258-258 \$249-251 NATURAL GAS Pe

OTHER Gold (per troy oz).
Silver (per troy oz).
Platinum (per troy oz.) 493.50c 5383.50 Palladium (per tro 96.0c 45.00c ead (US prod.) Tin (Kuala Lumpur) Tin (New York) 14.70r -0.05 277.50 Cattle (five weight) Sheep (five weight) Pigs (five weight)† 99.40p 121.54p 96.30p Lon. day sugar (raw) Lon. day sugar (wte) Barley (Eng. feed) Maize (US No3 Yellow) \$271.90 +0.80 +0.90 127.0 Unq Wheat (US Dark

13.60-3.80

n (0171) 359 8792

Rubber (Nov)♥ Rubber (Dec)♥ 81.75p 310.0z Rubber (KL RSS No1) tubber (v.s.... Coconut Oil (Phili)§ Detra Oil (Malay.)§ \$735.Dr 527.5z \$449.0v yabeans (US) 204.0 75.15 Wooltops (D46 Cuspus)

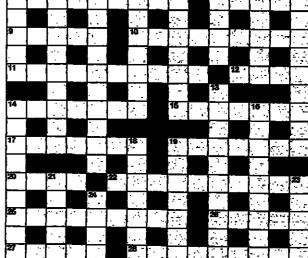
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r renggleig, m Melophern centalvig, x Dec y Cathlon x Nov

■ London Physical, § CE Activation, § Bullon startus

\*\*Character on week, †Bated on 438 head of pigs sold. ooltops (64s Super) 420p

**CROSSWORD** 

No.9,211 Set by QUARK



1 The jester's bold but rash Top dog to chew noisily? (5) Superior part of shoe (5)

Preclude offer by a local person (9) 11 With which one shows weakness eg inability to progress? (4.2.4) Orders mostly cheese (4) 14 Form of protection in boats

perhaps (7)
Treat enamel with a bit of glutinous mixture (7) 17 To be echoed in a credo 8 Hold fast by means of stem under examination (7) 19 Eat jammy scone without 13 They will provide cover for

2? A "well-known" gallery 16 Rule again is invalid 25 The flower of youth (9)
26 Both hands grabbing 19 Depression is so upsetting mature drink (5)

for those with great power. 27 He's to change habitual

2 Overwhelmed when opera tion expedited (9) 3 Having agreement in injury over money promises (10) 4 Cross it to burn one's boats. 5 Ray with drain at sea used to support sail (7) to support sail (7) 6 Sounds like junction eight? Army site in which shot's demolished tree (5)

DOWN

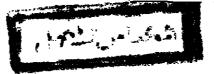
I\_Make a \_ mistake

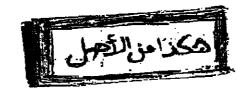
down? (5)

20 The data printout's a lot of 14 Social gathering banned rubbish (4) That's a real pain (9)

character (5) 21 Wreck church's advance (5) 28 Reestablish nation follow 22 Gloomy stretch of water ing a form of control (9) they say (5). bowls? (4)

Solution to Saturday's prize puzzle on Saturday Solution to yesterday's prize puzzle on Monday





FINANCIAL TIMES TUESDAY OCTOBER 29 1996 **MANAGED FUNDS SERVICE** Offshore Funds ● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details. **JERSEY** d Assert Mingart (1081) Lbd opts, 1084 10824 52556 1081.1 11.0053 1.0164 4.65 Bent of Scotland Fund Managers (Jer Back of Scotland Obtains loveshood Fund Ltd New York 9am. ...in less time than it took to turn the page. No. of March Style Content, List See List American Publisher. PO Bas 152. 22 Helian; January C

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Sale State Income — 52.454 -0.000 4.0

Sale State Income — 52.454 -0.000 4.0

Clotal Reconstructure. — 57.000 1.0

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Austrian

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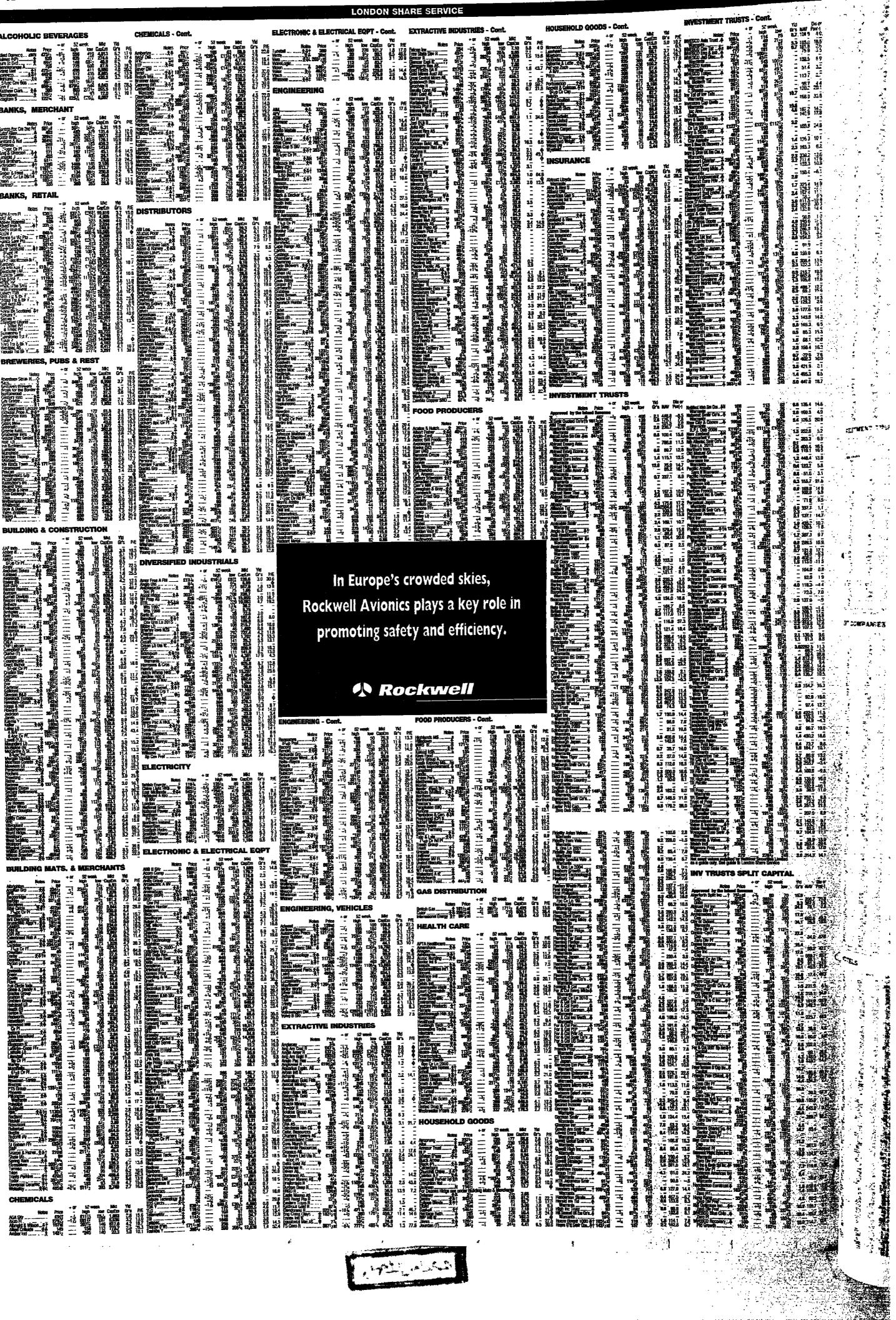
30	*		FINANCIAL TIMES	
Offshore Funds and Insurances  FT Cityline Unit Trust Prices are available over the telephone, Call the FT Cityline Help		FUNDS SERVICE		
LUXEMBOURG In the State In the	init Marian Suffing Serving + or Yibit Suffing Maring + or Coops Price Price - Cris Price - Price -	Yinki Sulling Stephop + pr Yight. Groups Price - Steads	Saling Serving out that Saling Serving out that Price Price Comments of West Comments of We	Print Prior See See See See See See See See See Se
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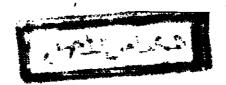


# **MANAGED FUNDS SERVICE** Offshore Insurances and Other Funds Shouldn't your company spend less on hotel bills? | State | Stat

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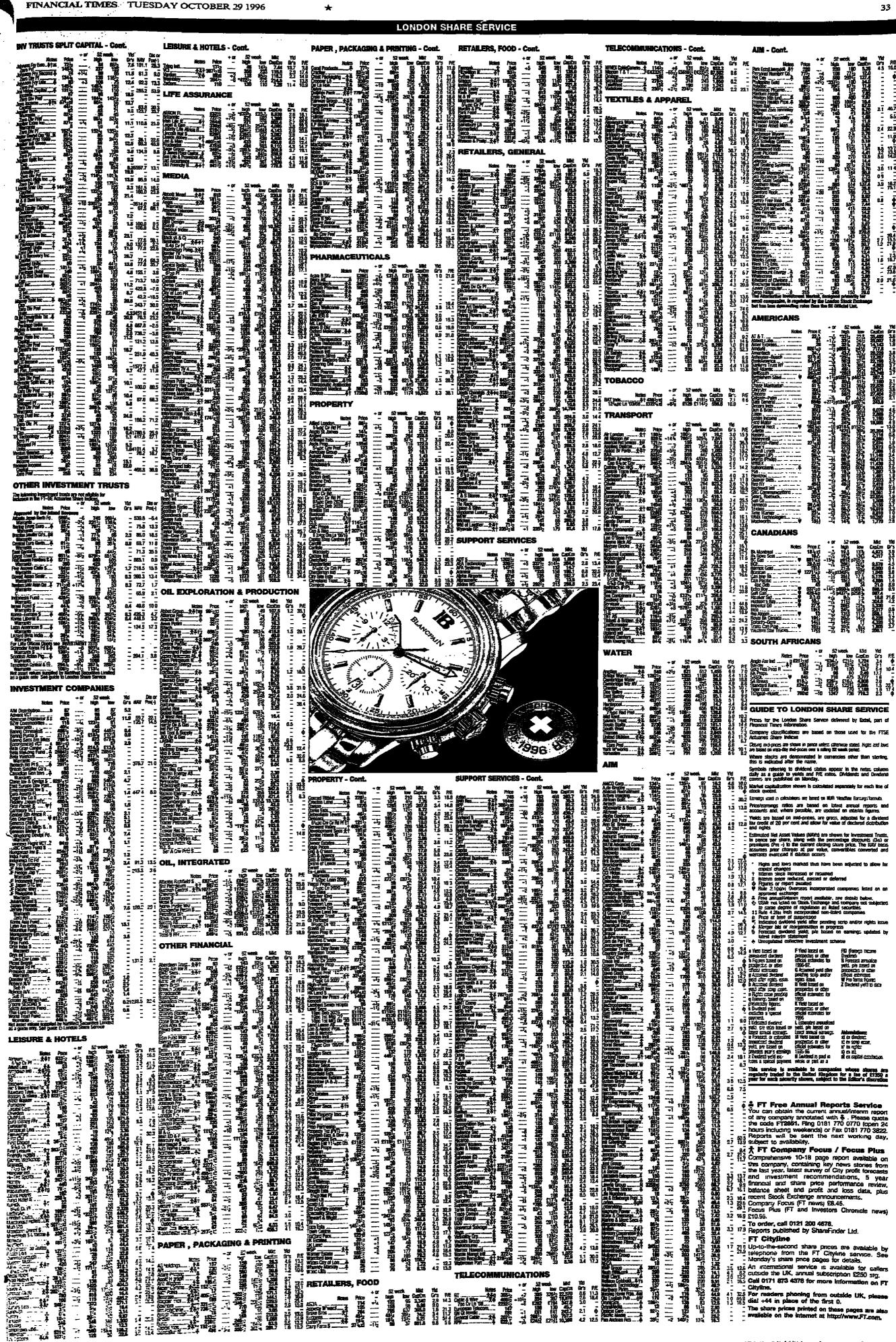
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## LONDON STOCK EXCHANGE

# Bid fails to put sparkle into FTSE 100 index

MARKET REPORT

By Peter John

direction found it briefly with a bid and then lost its nerve over interest rates.

Dealers began the week happy to keep their books flat to short considered political. ahead of a clutch of significant economic data.

The FTSE 100 index was marginally easier at the start of trading as equities responded to a weaker gilts market. In turn, bonds were reacting to the possithe Bank of England could herald pelled the Monday mood. a rate rise.

The theory is that the meeting represents the last chance before A stock market looking for May to tinker with monetary policy. After the meeting comes the Budget and, after that, the country shifts into general election territory and any move would be

> However, shortly after the opening, CE Electric of the US launched a £651m offer for Northern Electric.

A bid in the utilities sector was predicted last week, but the actuality reminded the market that bility that tomorrow's meeting the takeover bandwagon might between the chancellor of the have further to roll and the prosexchequer and the governor of pect of an injection of cash dis-

There was a rush of buying in the futures market as dealers. who have hedged against a downturn by holding short positions. raced to cover themselves against a bid-inspired rally.

And Footsie built on the gain as sterling showed no sign of giving up its seemingly unstoppable rally. The currency rose nearly a will give some ammunition to cent against the dollar and half a pfennig against the D-Mark.

A stronger pound hits big overseas earners such as the pharmaceuticals leaders. Thus sterling's rise might offset the argument for a rate boost, which would tend to increase the attraction of the currency.

Mr John Shepperd, the chief a strong opening on Wall Street economist with Yamaichi, pointed out yesterday: "The interest rate debate has swung from whether the chancellor can risk another rate cut to whether he can avoid a rate hike."

However, he added: "The recent marginal drop in retail sales and the strength of sterling fight off the governor."

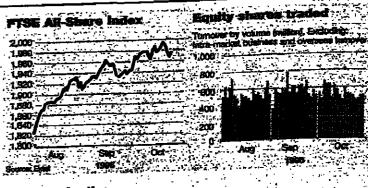
Sterling's buoyancy has also encouraged increased overseas investment and some traders noted steady European buying

rally. Footsie failed to respond to £1.48bn.

preferring to dwell not only on tomorrow's Ken and Eddie show, but also on UK consumer credit data on Thursday and - from the US - payroll and GDP figures.

From showing a gain of 15 points at best, Footsie edged lower to end the day only 2.9 points up at 4,025.3. It was left to the FTSE 250 Index, which includes a heavy dose of utilities companies, to show any real vitality. The 250 rose 11.6 to end the day at 4,443.1.

Total turnover of 641.4m shares of which 57 per cent was in non-Nevertheless, there was not Footsie stocks. Genuine customer enough to sustain the morning business on Friday was worth



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## Northern soars on hostile bid

By Joel Kibazo, Lisa Wood, Ramrai Gogna

Northern Electric was the main talking point of the day as dealers argued over the likely exit price for the distributor following a hostile 630p a share bid from CE Electric. CE is 70 per cent owned by CalEnergy of

Northern, which last year escaped the clutches of Trafalgar House, not only rejected the bid, but also revealed it had been in discussions with its predator over the weekend which culminated in a proposal of an offer around the 700p a share mark. CE later denied mak-

ing such a suggestion. Shares in the group raced forward on news of the bid and a market raid for Northern stock. They gained nearly 25 per cent as the stock jumped 128 to 648p, the best performer in the FTSE 250 index.

Turnover rose to a hefty 21m with ABN Amro Hoare Govett, acting on behalf of CE Electric, having bought 12.88m shares at **630p a** share, the equivalent of 12.7 per cent of Northern's issued share capital.

Market suggested it is now simply a and by 12 per cent over a matter of price and several suggested the predator may only have to raise its offer events such as yesterday's by a small amount to make confirmation that the Alli- Oct 28 Data based on Equity shares listed on the London Share Service

Northern the fourth UK electricity utility to come under US control.

see a white knight coming in. There are other regional electricity companies to go for without getting involved

in a bid battle." The bid for Northern triggered renewed bid talk in several other stocks in the sector. They included London, which advanced 1814 to 6081/2p, while Yorkshire hardened a penny to 7441/2p. Southern was also in demand and ended the day 171/2 ahead at 6471/2p.

However, it was a bad day for last week's bid favourite East Midlands Electricity. Many had expected the group to be the next takeover candidate and the absence of such an announcement yesterday brought out the sellers. The shares fell 15 to 545%p, in trade of 2.5m.

## Abbey up

Banking group Abbey National was the best Footsie performer with the help of a broker's recommendation. As the session drew to a close, the shares showed a gain of 16 to 636p, with 7.6m having been dealt.

Analysts at Merrill Lynch yesterday reiterated their positive stance, suggesting the stock to be "undervalued", having trailed the market by around 7 per cent specialists over the last three months six-month period

They also pointed out that

Society is to convert to a per cent stake at the compabank and float on the stock One analyst said: "I can't exchange is likely to trigger a change of attitude towards

> The float, with others such as Halifax and Woolwich due, will largely go into the hands of private investors, which should benefit Abbey as institutions search for stock in the expanded sector.

## DFS active

DFS Furniture climbed 1612 to 554p after NatWest Securities completed the placing of about 21m shares at 533p per share on hebalf of the family of Sir Graham Kirkham, its chairman.

Dealers said the placing had gone well and that the shares rose after the stock overhang had been removed. The children of Sir Graham announced their intention to tively to two developments.

Excluding intra-market business and overseas turnover.

ny's full-year results. The children now hold about British Aerospace and

GEC rose following a press report over the weekend that the Ministry of Defence had decided not to oppose a defence deal between the two groups.

Dealers traded large volumes on both stocks, where BAe gained 221/2 to close at 11681/ap, and GEC rose 7 to close at 3781/2p. The events surrounding BAe and GEC reflect the continued optimism in the aerospace market both in the short and medium term.

Following speculation over possible merger between Vickers and GKN, the former rose 111/2 to 300p and the

latter 221/sp to 11721/sp. Rolls-Royce reacted nega-

## ET 20 INDEX

	Oct 28	Oct 25	Oct 24	Oct 23	Oct 22	Үг адо	"High	*Low
FT 30	2839.4	2834,1	2819.5	2831.3	2856.8	2579.4	2885.2	2668.8
Ord. dtv. yield	4.01	4.01	4.03	4.01	3.97	4.12	4.22	3.78
P/E ratio net	17.22	17.20	17.13	17.19	17 37	15.51	17.46	15.80
P/E ratio nd	17.06	17.04	16.97	17.03	17.21	15.32	17.30	15.71
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Equity turnover (9m)†	_	1481.1	1463.2	1630.2	1314.0	883.0
Equity bargains†	_	28.340	27.635	29,223	31,444	28,115
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Oct 28 Oct 25 Oct 24 Oct 23 Oct 22 Yr ago "High "Low 1022\_20 1021\_90 1011\_90 1009.40 1008\_50 ~ 1140\_40 965.70

London :	narket c	lata			
Rises and falls	· _	52 Week highs	and lows	LIFFE Equity opt	ions
Total Ruses	450	Total Highs	58	Total contracts	29,978
Total Falls	724	Total Lows	135	Calls	14,096
Same	1,432	Ι .		Puts	15,882

ance & Leicester Building sell the majority of their 22 The company confirmed it will issue redundancy push through its demands. notices to all 1,700 staff at its turbine plant in Tyneside. This offset news of a £25m order to supply burners to

> 31/4 to close at 264p. Wolseley the builders merchant which went ex-dividend yesterday, hardened 21/4 to 485p despite cautious comment from NatWest Securities. The broker reiterated its "reduce" stance concerned at the outlook for trading in the US. It added: "Wolseley is a great company. It has a niche franchise within the distribution

commendable. Pearson initially fell after weekend media reports suggesting the shares were "hopelessly overvalued".

sector and its track record is

However, towards the close of trading, the shares revived 51/2 to 738p after Mr Derek Terrington, media analyst at Teather & Greenwood, suggested the stock should be bought. He repeated speculation that new top management was set to re-examine Pearson's broad spread of businesses, with significant disposals

Boots fell 5 to 637½p on speculation that Marks & Spencer is to launch a range of over-the-counter pharmaceuticals. However. M&S said it was not planning to go into the sector other than vitamins and minerals.

Storehouse weakened 7 to 287%p on concerns over sales growth ahead of its

Kenwood Appliances added 81/2 to 2501/2p after reports that UK Active Value Fund is pressing the board of the household goods manufacturer to put the company up for sale.

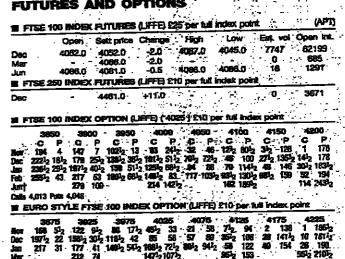
extraordinary meeting to

Watson & Philip fell 45% to 420%p after the group issued a profits warning because of an overrun in costs at a new development Portugal and the shares fell in its food service division. Analysts downgraded forecasts although there seemed to be little concern for the

longer-term. A rise in interim profit resulted in Grampian TV rising 22 to 292p.

HTV eased 15% to 369%p. Last week United News & Media, which was up 21/4 to 671p. acquired a 20 per cent stake in the company from Scottish TV and stated that it had no intention of making an offer for the balance. Scottish TV fell 21 to 782%p.

## FUTURES AND OPTIONS



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170	F.P.				Thistie Hotels	17012	+12	. R3.7	2.5	27	18.3
§250	F,P,	195.0	302	282 <sup>1</sup> 2	Ultra Sicin	300	_	RW6.5	23	2.7	20.3
5	F.P.	104.2			Victory Corp	55	٠,:	-	-	· -	
† Alter		kryestm	orit Mar	iast. S	Placing price.	moducilor	. Fo	ra ka	نطوو	widon	of all
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Calls 4,743 Pats 9,212 \* Ur

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FT GOLD								
	0ot 25	% chg oo day	0ct 24	Year 'i	Groot div York %	P/E radio	. 52 ve Migb	reak Low
Gold Mines Index (31)	1914.17	-0.1	1916.58	179LB0	1.56	-	2620,73	1722.93
m Regional Indices	-				.*		· * .	
Africa (13)	2455.52	-1.1	2483.04	2414.98	3.19	35.17	3553.86	2272.74
Australesia (6)	2186_10	-1.1	2209.82	2195.66	2.55	21.34	2927.34	2005.75
Horth America (12)	1726.12	+0.5	1718.14	1562.13	0.74	54.44	2186.39	1488.94
Copyright, FISE Inten- number of companies.	ustional i Basis US	inded Dollara	1996. Al Base Vi	rights dus: 100	reserved. Fi 0.00 \$1/12/9	gures s 2. † Par	n bracke Hol Late	ts enow

# The fund, which owns 9 per cent of Kenwood, is planning to requisition an FTSE Actuaries Share Indices 3.59 2.04 3.51 1.50 3.60 1.52 3.81 1.93 5.12 1.82 2.64 2.14 3.13 1.58 16.97 75.28 1708.04 13.43 97.00 1361.75 22.17 54.10 1477,98

FTSE SmallCap ex IT	2178.36					1929.43		1.55			1824:69
FTSE All-Share				1965.25	1976.34	1726.29	3.76	1.91	17,40	72.83	1705.69
■ <i>FTSE</i> Actuaries Ind			•							·	
	Oct 28 chg	mar ∨ B,a	2E	~ ~	~ ~	Year	Div. yield%	Net .			Total
	QQ 26 UIQ	ט מקק	G 25	UCX 24	QCI Z	ago	yeacro	COABL.	otten	ytch	Return
10 MINERAL EXTRACTION(24)		-0.1 39	14. <b>2</b> 7 .	391,1.24	3979.74	2854.21	3.56	1.63	21.60	128.05	1707.08
12 Extractive industries(6)						4040.38		2.86	12.17	162.00	1252.29
15 Oil, Integrated(3)		-0.2 40	54.27	4053.23	4137.47	2839.08	3.70	1.45	23.36	195.18	1812.70
16 Oli Exploration & Prod(15)	<u> 2917.99                                    </u>	+0.2 29	<u> 10.89</u>	<u> 2900.23</u>	2943.51	1871.40	1.82	1.71	40.28	52.04	1768.11
20 GEN INDUSTRIALS(275)	2076.32	+0.3 20	69.80	2082.22	2084.05	1934.87	4.12	1.73	17 55	78 13	1156.52
21 Building & Construction(34)						906.27		1.48			1035.61
22 Building Matts & Merchs(29)						1667.64		1.53			1014.58
23 Chemicale(25)						2406.83		1.45			1180.89
24 Diversified Industrials(19)						1758.47		1,62			.858.72
25 Electronic & Elect Equip(36)	2340.64	+0.8 23	21.13	2323.54	2318.55	2103,03	3.34	1.48			1234.30
26 Engineering(71)	<b>2677.75</b> ·	+0:4 286	66.66	2660.91	2662.16	2125.27	3.06	2,46			1650.48
27 Engineering, Vehicles(14)	3284.43	+0.9 32	54.77	3259.18	3257.18	2509.44	3.28	1.72			1732.89
28 Paper, Pckg & Printing(28)						2863.24		1.82			1101.21
29 Textiles & Apparel(19)	1185.68	-0.1 110	86.28	1183.53	1188.37	1515,67	6.02	1.16			737.65
30 CONSUMER GOODS#21	3769.98	-0.1 37	72 73	3753 NS	9781 81	3461,92	3.82	1.93			1418.95
32 Alcoholic Beverages(8)						2882.74		1.63			1021.35
33 Food Producers(25)	2573.03					2500.65		1.84			1180.98
34 Household Goods(15)						2631.81		2.25			1080.53
36 Health Care(18)	2011.65	+0.1 20	10.47	2012.70	2021.57	1976.25	3.00	1.96			1240.47
37 Phermaceuticals(14)	5891.99 -	-0.4 591	16.77	5865.96	5913.95	4771.74	2.90	2:01			2032.62
38 Tobacco(2)	3678.69 -	-0.2 36	84.86	3606,22	3634.59	4434.51	7.05	211			947.32
40 SERVICES(254)						2144,87					
41 Distributors(30)						2683.55		1,97 2,02			1378.64
42 Leisure & Hotels(25)						2486.00		2.03			1079.90
43 Media(45)						3339.76		2.05			1727.89 1618.06
44 Retailers, Food(15)						2055.91		. 2.36			1295.79
45 Retailers, General(45)	2161.67					1753.01		2.08			1256.73
47 Brewerles, Pubs & Rest.(21)	3119.60					2614.36		1.98			1512.89
48 Support Services(50)						1826.67		2.26			1689.38
49 Transport(23)						2189.18		1.12			1100.63
60 UTILITIES/88)	2307.67	+0.8 226	RR.06	2255.09	2284 27	2480.38	5.61	1.76			
62 Electricity(12)						2802.98		2.21			1031,66
64 Gas Distribution(2)						1592.43			16 05	110 71	710.38
66 Telecommunications(8)						2051.85		1.53	20 17	50.22	923.97
68 Water(11)	2118.53	+0.6 210	36.61	2094.56	2105.78	2061.26	6.49	2.31	8.34	24.85	1198.17
69 NON-FENANCIALS(668)						1833.25	_				
								1.82	18.21	77.55	1608.29
70 FINANCIALS(103)						2688.09		2.36	13.25	124.19	1461.92
71 Beriks, Retali(8)						3751.96		2.71			1601.94
72 Banks, Merchant(6)						3524.02		2.62	15.85	95.60	1197.98
73 Insurance(21)						1378.75		2.27	10.22	79.70	1208.36
74 Life Assurance(7)						3222.72	4.05	1.78	17.27	151.01	1630.08
77 Other Financial(20)						2892.27		1.79 ·	17.52	88.27	1553.28
79 Property(41)	1659.15 -	<u>-0.1 160</u>	<u> 31.03</u>	1660.99	1666.41	1345.83	3.87	1.26	25.57	48.52	1098.50
80 INVESTMENT TRUSTS(127)	3168.33	-0.2 317	74.18	3177.53	3184.10	2886.26	2.25	1.12			1117.58
89 FTSE All-Share(898)								_	_		
	1975.88	+0.1 79	/3.90	1985.25	1976.34	1728.29	· 3.78	1.91	17.40	72.83	1705.09
FTSE Fledgling	1233.76	-0.1 125	34.43	1295.46	1235,31	1074.83	2R1				1306.72
FTSE Fledgling ex IT						1075.39		0.58	72 19	33.05	1322:33
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	- Upon	3700	10,00	17,00	12.00	18.00	14.00	15.00	10.10 C	loca i	revious	Change 1
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# International financial ## FINANCIAL TIMES news from a European



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AFN NEWS 15-17 EPWORTH STREET, LONDON EG2A 4DL (44) 171 255 2552 FAX (44) 171 490 5007 EMAIL: AFX.SALES @ FT. COM AND NEW YORK, USA (212) 641 2418

Highs & Lows shown on a 52 week basis 323 221,50 634 865 146,75 10 05 4,80 224 60 431 स्वासी प्रस्ति । स्वासी प स्वासी प्रस्ति । स्वासी । स्वासी प्रस्ति । स्वासी । स्वासी प्रस्ति । स्वासी प्रस्ति । स्वासी प्रस्ति । स्वासी प Fixed on Asian Income Peregrine has the largest team of professionals dedicated to the origination and distribution of Asian fixed income securities. Arcidos Culveix Egelikr KOKHI Petkiru Teallas TotaOF **PACIFIC** Alban August August August August August August Bandat Ban 10,980 1,885 2,980 1,885 2,985 1,885 2,985 1,885 2,985 ABBANAMA AABANA 9.76 9.30 1.3
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AUSTRALIA (Oct 28 / AustS)

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■ TOKYO - MOST ACTIVE STOCKS: Monday, October 28, 1995 Stocks Traded 2.1m 2.0m 1.8m 1.7m Nippon Steel Cp .... Ishihara Hvy Ind ..... Sanyo Blactric ..... Taisei Corp ..... Oki Blactric Ind .....

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Vault ahead.

If the business decisions are yours, the computer system should be ours. http://www.hp.com/go/computing

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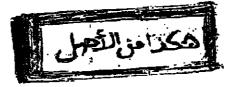
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	Trans   Tran	541 <sub>8</sub> 397 <sub>8</sub> Tempini 1.28 25 15 768 515 51 51 -1	1906	ADC Tele Addington AdeccoADI Adobe Sys Adv Logic Adv Polym AdvTchLab	37 5902 62 <sup>1</sup> 4, 60 <sup>1</sup> 2, 61 <sup>1</sup> 2, 52 4390 65 <sup>1</sup> 2, 63 <sup>1</sup> 4, 64 +1 21 387 28 28 <sup>1</sup> 4, 28 +1 18 18 18 18 18 18 18 18 18 18 18 18 18	EH Tech Digi Indi Dig Micro Dig Sound Dig Sound Dig Sound Dig Sound Dig Syst Dionex Cp Didin Yrn Dorch His DireccEngy DressBarn Drog Empo Did Sancor Durlron Dyclaschis	## 86  1.40 11 130 493 483 494 494 13  1.20 15 33 95 85 65 65  15 211 233 223 223 223  13 738 17 194 162 13  94 622 233 223 223 223  3 1639 134 145 143 143  22 17 494 394 394 342 14  22 17 494 394 394 342 14  020 26 284 313 29 29 29 28  0.68 14 3 142 142 142 142 14  14 161 114 11 11  0.24108 27 252 244 25  0.00 24 58 434 42 45  0.25 19 1684 274 264 264 14  27 908 484 484 484	Lann Rech 6 8633 28   Lancacler 0.88 15 226 38   Lancacler 0.96118 61   Lancacler 6 970 5   Lancacler 6 01788 12   Lancacler 6 17 2255 3   Lancacler 3 6 552 21   Lancacler 3 6 553 655 4   Lancacler 1 0.16 20 18 23   Liteline 29 43 17   Liteline 6 19 43 17   Liteline 6 19 43 17   Liteline 7 18 28   Liteline 7 19 43 17   Liteline 7 18 28   Liteline 7 18	12 13 13 13 14 14 14 15 15 15 15 15 15 15 15 15 15 15 15 15	Ratiys T 3 Raymond 0.10 9 Rissis Fis 0.60 10 1 Read-Rise 18 6 Recoton 11   Repligen 0.05 2   Reput ind 12315 Resculation 19 9 Resculation 19 9 Resculation 0.80 29 ( Resculation 0.80 29 ( Rosewizpr 0.20 28   Rissis 0.80 27 17 18 Rosewish 0.82 17 18 Rissis 0.82 17 18	124 17 <sup>1</sup> 2 17 17 <sup>1</sup> 6 129 13 <sup>1</sup> 2 43 13 <sup>1</sup> 8 - <sup>1</sup> 8 129 13 <sup>1</sup> 2 43 13 <sup>1</sup> 8 - <sup>1</sup> 8 121 1 <sup>1</sup> 8 1 <sup>1</sup> 8 1 <sup>1</sup> 8 140 13 <sup>1</sup> 8 25 <sup>1</sup> 8 30 <sup>1</sup> 8 + <sup>1</sup> 8 140 13 <sup>1</sup> 8 25 <sup>1</sup> 8 30 <sup>1</sup> 8 + <sup>1</sup> 8 140 13 <sup>1</sup> 8 25 <sup>1</sup> 8 30 <sup>1</sup> 8 + <sup>1</sup> 8 150 17 18 18 18 18 18 18 18 18 18 18 18 18 18
	## 35 Sheriff ## 3.56 3 2 21 272 1911; 1910; 1910; 1; 1; 1; 1; 2 35 5 191; 3 5 191; 191; 191; 191; 191; 191; 191; 19	50 29% Titlast* 42% 24% Titlast* 44% 25% 24% 25% 26% 27% 45% 25% Titlast* 45% 25% 25% 25% 25% 25% 25% 25% 25% 25% 2	28 <sup>1</sup> 4 18 <sup>1</sup> 2 WMS ind 32 <sup>2</sup> 4 28 <sup>1</sup> 4 WP. Holdin 28 173 Whaten isc 11 12 12 12 12 28 <sup>2</sup> 4 28 <sup>2</sup> 4 28 <sup>2</sup> 5 28 <sup>2</sup> 5 WP. Holdin 28 173 Whaten isc 11 2909 28 <sup>2</sup> 5 28 <sup>2</sup> 1 28 <sup>2</sup> 5 28 <sup>2</sup> 5 4-18 28 <sup>2</sup> 5 Whaten isc 11 2909 28 <sup>2</sup> 5 28 <sup>2</sup> 1 28 <sup>2</sup> 5 4-18 28 <sup>2</sup> 5 Whaten isc 11 2909 28 <sup>2</sup> 5 28 <sup>2</sup> 1 28 <sup>2</sup> 5 4-18 28 <sup>2</sup> 5 Whaten isc 18 0 3.1 14 1600 u51 <sup>2</sup> 5 50 <sup>3</sup> 4 51 -14 28 <sup>2</sup> 5 Whaten isc 38 <sup>2</sup> 4 29 <sup>2</sup> 5 Whaten isc 38 <sup>2</sup> 4 29 <sup>2</sup> 5 Whaten isc 38 <sup>2</sup> 4 29 <sup>2</sup> 5 Whaten isc 28 <sup>2</sup> 4 19 <sup>2</sup> 7 Whaten isc 28 <sup>2</sup> 4 19 <sup>2</sup> 7 Whaten isc 28 <sup>2</sup> 4 19 <sup>2</sup> 7 Whaten isc 28 <sup>2</sup> 5 18 <sup>2</sup> 7 Whaten isc 28 <sup>2</sup> 5 18 <sup>2</sup> 7 Whaten isc 38 17 18 <sup>2</sup> 7 Whaten isc 38 17 18 <sup>2</sup> 7 Whaten isc 38 17 18 <sup>2</sup> 7 Whaten isc 38 18 18 18 18 18 18 18 18 18 18 18 18 18	Albetta C Alta Gold Alta Gold Alta Gold Alta Gold Alta Gold Annichtes Annich	0.52 8 72 4\frac{1}{2} 4 4\frac{1}{2} 4\frac	Essisment Est Tol Eggheer Bestre Best	450 41 2 45% 45% 45% 45% -5 13 771 25% 276 276 -76 0.10 63 144 53% 376 376 6 1946 33% 326 276 -5 0.22 5217669 6265 28.11 28% -3 18 125 612 613 614 -1 17 45 22 21% 22 20 2090 1936 1256 1251 -76 45 211 15 14 15 +1 15 251 12% 11% 12½ 0.16 27 166 42% 41% 41% 7 253 1656 8 818 -1 2	Lone Star 15 188 1 LTX Cp 4 2429 4, LYMH 0.54 23 60 44  MCI Cm 0.05 1422039 25  MS Car's 17 61 19  Maga Mill 0.60 7 61 125  Maga Gp 0.88 13 1116 2  Mal Box 0.01 28 965 24  Martan Dr 41 5087 14  Martine Dr 41 5087 14  Martine Dr 41 5087 14  Martine Tr 4	2 18½ 18½ 1½ 18 13 13 13 13 13 13 13 13 13 13 13 13 13	Salicidith 41 Sanderson 0.20214 i SchimbprA x0.38 18 11 SCI System 17118 Schex Cp 0.52 7 16 Score Brd 1 i Seatlek 1.20 27 7 16 Seatlek 1.20 27 7 16 Seatlek 1.20 27 7 16 Seatlek 1.20 27 17 Selbets 8 0.36 8 4 6 Selectins 1.12 9 1 Sequels 1.20 27 Sequels 5 16 Serv Tech 1 5 16 Serv Tech 0.84 2623 ShitchFair 0.84 2623 ShitchFair 0.84 20 21 SigmaNes 80 3 SigmaNes 0.06 11 5 SigmaNes 0.06 11 5 SigmaNes 0.06 12 4	981 S2 49½ 51½ +1½ 516 612 614 614 +½ 516 612 614 614 +½ 617 10½ 619¾ 10¾ -½ 631 3½ 3¼ 3¼ -½ 631 3½ 3½ 3½ -½ 631 3½ 3½ 3½ -½ 631 3½ 3½ 3½ -½ 631 3½ 3½ 3½ -½ 631 51½ 14½ 1½ -½ 631 51½ 14½ 1½ -½ 631 51½ 16½ 16¼ 631 61½ 16¾ 16¾ 631 61½ 16¾ 16¾ 631 16½ 16¾ 16¾ 631 16½ 16¾ 16¾ 631 16½ 16¾ 16¾ 631 16½ 16¾ 16¾ 631 16½ 16¾ 16¾ 631 16½ 16¾ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16½ 16¾ 631 16¾ 6
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# **Dow trades** narrowly at mid-session

## **AMERICAS**

US shares were flat at mid-session with little in the way of corporate earnings reports or economic data to provide the market with a direction, writes Lisa Bransten in New York.

Shares started with strong gains as momentum from Friday seemed to carry over into the new session, but by midday most of the leading indices had retreated into negative territory.

At 1 pm, Dow Jones Industrial Index was off 1.48 at 6,005.53 and the American Stock Exchange composite was 0.64 weaker at 569.15. while the Standard & Poor's 500 crept up by 0.26 to 701.18. NYSE volume was 220m

Technology shares were also mostly flat on a mixed performance by the largest companies in the sector. The Nasdaq composite was 0.66 lower at 1.221.94 and the Pacific Stock Exchange technology index slipped 0.3 per cent.

With the earnings reporting season largely over, analysts expected shares to trade in a narrow range until there were economic data that provided a clear indication of the direction of

today's release of the third- C\$1.40 to C\$13.90 as its board index or tomorrow's release of data on third-quarter economic growth. The most Gecamex Technologies.

important figures of the week, however, are likely to be in Friday's report payroll employment in October.

Among the four largest technology companies on the Nasdaq, Intel advanced \$1 at \$106%, Microsoft was \$1 stronger at \$137% and Oracle Systems added \$4 at \$42%. while Cisco Systems lost \$1 at \$58%.

The strongest performers on the Dow were Minnesota Mining & Manufacturing. up \$% at \$75%. Procter & Gamble, \$1% stronger at \$95% and Philip Morris, which added \$1¼ at \$93¾.

Loctite, the maker of chemical sealants and adhesives, jumped \$11% to \$57% on news that Henkel was in the market to acquire the 65 per cent of the company it did not already own. TORONTO gained ground

after the tenth interest rate cut this year by the Bank of Canada, aimed at providing a further boost the economy. By noon, the TSE-300 composite index was 19.00 higher at 5,568.80.

Bre-X Minerals jumped C\$3.80 to C\$24.60 as it forged an alliance with Indonesia's Panutan Duta, under which Panutan would help Bre-X to develop its Busang gold deposit.

Tarxien, the motor compo-That could come from nents company, picked up quarter employment cost said that it would recommend shareholders to accept a C\$14.10 a share offer from

# Mexico City ahead

MEXICO CITY moved ahead during the morning session with sentiment underpinned by the weekend renewal of the "economic pact" between the government, business and the unions, together with the onset of the thirdquarter results season.

The IPC general index was up 7.32 at 3,240.60 at mid-ses-

CARACAS also overturned last week's weakness, improving steadily in early

trading. At mid-session the

IBC index was 42.19 higher at 6,015.68. Dealers said that the market was mostly casting around for fresh leads. 'Almost everyone is waiting for details of the CANTV flotation," said one trader.

BUENOS AIRES was modestly ahead at the close of the morning session with the Merval index 0.11 better at 559.68. Brokers said investors were starting to move back into the market after the recent heightened worries over state corruption.

	% c	hange in loc	al currency	t	% change sterling †	% change in US \$ †
	1 Week	4 Wests	1 Year	Start of 1996	Start of 1995	Start of 1996
Austria	-1.99	+0,82	+14.34	+9.49	-0.43	+2.88
Belgium	+0.22	+1.35	+23.26	+12_42	+2.07	+5.46
Denmark	-1.65	+3.38	+25.26	+21.01	+11.06	+14.75
Finland	-1.76	+2.72	+3.31	+23.10	+13.43	+17.20
France	-0.90	+2.98	+24.04	+18.43	+8.99	+12.61
Germany	-1.79	+0.77	+22.49	+16.58	+6.01	+9.54
Ireland	-0.11	+1.72	+27.18	+20.69	+17.79	+21.70
Italy	-0.83	-2.39	+6.48	+1.11	+1.97	+5.36
Netherlands	-0.75	+4.06	+32.50	+22.22	+10.97	+14.66
Norway	-1.05	+3,12	+17.09	+16.37	+10.34	+14.01
Spain	+1.11	+5,21	+36.03	+21.40	+11.17	+14.87
Sweden	-0.57	+4.35	+25.94	+26.52	+23.08	+27.17
Switzerland	-1.15	+1.74	+21.91	+13.32	-0.02	+3.30
UK	-0.71	+1.55	+13,41	+9.00	+9.00	+12.62
EUROPE	-0.86	+1.95	+19.57	+13.91	+8.01	+11.59
Australia	-0.45	+2.42	+10.48	+4.71	+7.90	+11.48
Hong Kong	-1.31	+3.73	+22.35	+19.48	+15.64	+19.48
Japan	-3.63	-3.91	+8.54	-1.51	-13.28	-10.40
Malaysia	+0.53	+3.93	+23.76	+19.27	+16.94	+20.83
New Zealand	-1.92	+4.23	+3.74	+5.98	+10.35	+14.01
Singapore	+2.02	-4.04	+4.04	-5.39	-8.56	-5.53
Canada	+0.94	+4.38	+30.04	+19.20	+17.09	+20.97
USA	-1.52	+1.85	+19.36	+13.42	+9.77	+13.42
Mexico	-2.25	+0.12	+45.70	+16.63	+9.55	+13.18
South Africa	-0.69	-0.36	+17.83	+11.64	-14.78	-11.95
WORLD INDEX	-1.67	+0.69	+17.10	+10.11	+3.66	+7.10
† Based on October Seehs & Co. and Star					nel Limited,	Goldman,

FT/S&P ACTUARIES WORLD INDICES

.179.57

.179.31

310.96

586.17

.312.68

90.82

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243.77

.260.85 ..337.13

..183.69

..200.31 ....297.17 ...185.66 ...212.62 Pound Sterling Index

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245.87 68.56

230.81 245.89 251.13 342.78 184.32

387.40 190.77 116.06

239.95 284.97

219.28 193.53 289.57 112.19

142.85 277.72

166.42 256.41 147.93 182.12

187.32

Figures in pare

Australia (78)

Canada (116)

Hong Kong (5)

lexico (27)

Norway (35) ..... Philippines (22) ... Singapore (43) ... South Africa (44)

Euro-Pacific (1594)

Europe Ex. UK (505)..... Pacific Ex. Japan (396)

MARKETS IN PERSPECTIVE

# Dax ignores bonds to climb above 2,700

## EUROPE

Good performances by a number of index heavyweights allowed FRANK-FURT to shrug off the negative influence of a limp bond market and climb back above 2,700 on the Dax. BASF and Metro powered

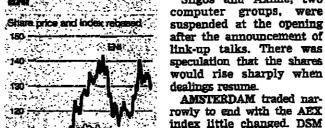
ahead by more than 3 per cent and Daimler-Benz. Volkswagen and Continental all put on more than 2.5 per cent. At the close, the Dax was up 12.54 at an Ibis-indicated 2,703.33. News of joint venture

talks with DSM of the Netherlands pushed BASF up by DM1.57 to DM48.88. and Metro, depressed lately by tax concerns, gained DM3.90 to DM130.40 after the top retailer announced that there was "no need" to correct recent prospectus statements.

VW ended DM14.75 better at DM597.75 after confirmation that the German ministry of justice plans to scrap corporate voting rights restrictions. Daimler rose DM2.47 to DM89.90, mostly in sympathy. Continental ended 65 pfg better at DM26.50. Bankgesellschaft Berlin, which is in cooperation talks with Norddeutsche Landesbank, dipped 35 pfg to

PARIS shares turned weaker in modest volume and, at the close, the CAC 40

shares added FFT3.00 to FFr150.



index was down 12..04 at

150 -

Lagardère, off sharply on Friday, continued to be buffeted by profit-taking, this time prompted by talk that its takeover of the Thomson group may face political hur-

The shares fell almost 7 per cent to close off FFr11.50 at FFr154.5 for a two-day decline of FFr15.50.

Usinor Sacilor rose strongly following an upbeat press report. The shares jumped more than 2 per cent on talk of easier times ahead for steel makers, ending up FFr2.00 at FFr77.30.

Rhône-Poulenc continued to improve as investors warmed to Friday's strong

Sligos and Axime, two computer groups, were suspended at the opening after the announcement of link-up talks. There was speculation that the shares would rise sharply when

rowly to end with the AEX index little changed. DSM came off 50 cents to Fl 166.60 ahead of third-quarter results today in spite of news of joint venture talks with the German chemicals giant BASF. Philips, a strong market at

the close of last week on hopes of a restructuring recovery in 1997, eased back 90 cents to Fl 61.30. Hoogovens shot ahead on hopes for an upturn in European steel prices. It gained 90 cents to Fl 62.40.

index was 0.97 better at STOCKHOLM was pulled higher by a 2.4 per cent rise

in Ericsson, whose shares gained in New York on Friday and ahead of today's nine-month results, widely expected to show a near 30 per cent rise in pre-tax profits. Ericsson added SKr4.50 to SKr189 and the Affärsvärlden general index finished 11.0 higher at 2,191.7. Autoliv picked up SKr3 to SKr286.50 as the car safety

prices on the international

market. Tomen was up Y30

gained Y15 to Y667.

to Y1,550 and Nippon Oil

In Osaka, the OSE average

HONG KONG was hit by,

added 58.72 to 21,367.96 in

an afternoon slide as a pause

in the market's recent rally

at HK\$60.25 and HK\$85

respectively. Hysan Develop-

ment bucked the trend to end 10 cents up at HK\$24.30.

volume of 11.6m shares.

FTSE Actuaries Share Indices Oct 25 1821.57

> equipment manufacturer attributed a 14 per cent increase in nine-month profits to cost cutting and improved group synergies. ZURICH edged higher in thin trade in response to

and a firm dollar and the SMI index added 4.8 to UBS added SFr6 to SFr1,240 as the bank said results for the first nine months were higher than a year earlier, although the third quarter, which At the close, the AXE

included the summer luli. agged behind strong firsthalf results. Analysts said the figures were in line with most expectations although a continuing high level of provisions was disappoint-

SMH put on SF16 to SF1792 after several buy recommendations.

A continuation in Friday's recovery by Tag Heuer, the sporting watchmaker, which gained SF17.25 to SF1219.25,

THE EUROPEAN SERIES Open 10.30 11.00 12.00 13.00 14.00 15.00 Close Gat 23: Oct 22: Oct 21:

down from the day's best

FISE Barotrack 100 1773.79 1775.06 1775.62 1775.66 1776.01 1776.41 1774.52 1775.01 FISE Barotrack 200 1833.01 1833.14 1834.46 1834.84 1834.30 1831.69 1831.68 1832.23 Oct 24 1788.23 1843.38 1777,80 1829,37 1729.48 1772.48 1820.24 iday: 100 - 1775.75; 200 - 1637.26 London; 100 - 1772.61 200 - 1830.18. † Partie

by a US or British broker. MILAN's attention was focused on Emi after the secand tranche sale of the state controlled oil and gas giant was judged by analysis to have been a predictable success. Eni shares finished L20 early strength on Wall Street higher at L7,190, but well

> level of 7.315. Trading volume was him. ited, however, to 25.4m shares, with institutional investors awaiting confirmstion of their share allocations and private investors unable to sell their holdings

until today. The Comit index picked un 2.58 to 616.09, but the realtime Mibtel index turned back from a high of 9,897 to finish 39 weaker at 9,788 as the market took its lead from a weak bond market.

MADRID was broadly lower, with the general index down 1.12 to 381.68, although details of the privainterest in key stocks.

Pta6.700 on nine-month results that were in line with expectations, although they underperformed ... other

banks' results. WARSAW lost 2.6 per cent, continuing lower for a ninth consecutive session, and analysts warned that stronger selling pressure after the day's price fixing suggested that the main market would face further profit-taking today before a possible rebound.

Conditions for such a rebound, they said, could include agreement between the two parties in the ruling coalition on tax rates for next year, after the lower house of parliament's surprise vote last Thursday cut-

ting taxes for low earners. The Wig index fell 350.4 to 18 149.0. Dealers said that a 2.80 zloty fumble to 25.40 zlotys was exaggerated by low turnover in the share.

TEL AVIV fell 1.5 per cent. registering disappointment at a lower-than-expected 0.3 percentage point reduction in short-term interest rates to 15.2 per cent. The Mishtanim index lost 2.78 to 185.25, but in low-turnover, with news of the failure of talks with the Palestinians over Hebron adding to the downbeat mood. First luternational Bank of Israel fell tisation calendar prompted 1.8 per cent to Shk33,921.

Santander fell Pta60 to

# Manila tumbles 3.7% as Tokyo stages rebound

## ASIA PACIFIC

Worries about corporate earnings sent MANILA juddering lower in heavy volume and the composite index fell 3.7 per cent, its steepest ever one-day

The market was in black mood from the opening bell following disappointing profits on Friday from Philippine National, the leading bank. and from Piltel, the mobile phones group hit by fraud

Shares fell through the important 2,900 level early in the session and at the close the index was off 110.44 at 2.852.16, its lowest level for seven months.

PNB ended 10 pesos lower

at 312 pesos. Piltel moved to a new low for the year of 23 pesos, down 1 peso. TOKYO rebounded sharply to break a five-day losing streak as the yen's fall against the dollar drove up

some export-oriented issues, writes Gwen Robinson. Trading volume, however, slid as investors were cautious after last week's 4.2 per

cent tumble in the 225 index. The Nikkei average added 145.44 to close at 20,885.41 after fluctuating between 20,738.17 and 20,907.37. The Topix index of all first-section stocks climbed 7.18 to 1.564.94, and the capitalweighted Nikkei 300 was up 1.13 at 293.12. Advances led declines 718 to 318 with 195 unchanged. Volume, however, plunged to 198m shares against last Friday's 311m.

In London, the ISE/Nikkei 50 index climbed 2.74 to

1.420.89. Traders noted large-lot buying by some domestic institutional investors, but said the market seemed reluctant to take positions either way amid political uncertainty and in the absence of fresh incentives.

The yen's further fall against the dollar encouraged some buying of exportoriented issues, but deterred foreign investors who traded Japanese shares on a dollar basis and saw greater risks in chasing higher prices on the Tokyo market.

However, securities analysts saw prospects for an imminent share market rally given growing concerns about overheating in the booming bond market where key bond futures reached highs for the sixth consecutive trading day.

Export-oriented blue chips, including high-tech companies and most car makers, benefited from the weaker yen. NEC added Y20 to Y1.240 and Sony climbed Y30 to Y6,890. Toshiba, the day's most active stock, rose Y2 to Y735 on heavy buying following the company's announcement last Friday of improved profits for the first

half to September. Among car makers, Honda Motor rose Y20 to Y2,700 and Toyota Motor added Y10 to Y2,700. Nissan Motor, however, fell Y5 to Y858 on foreign selling.

Oil refiners gained ground, reflecting higher crude

# Rand hits S Africa industrials

Johannesburg's industrial shares ended weak in busy trading under pressure from an ailing rand, but gold shares were lifted by a better rand gold price and stronger bullion.

The overall index fell 20.9

Sterling index

216.14 201.37 154.22 180.82 168.55 129.09 220.89 205.80 157.81 183.97 171.40 131.26 179.71 167.43 128.23 1

220,10 205.05 157.04 201.07 187.33 143.48 179.88 167.40 128.20

311,48 290,19 222,24 91,93 86,65 65,59 284,67 246,58 188,84 182,81 179,63 137,57

176.88 187.30 125.20 146.42 146.40 4364.53 332.78 369.22 207.48 193.30 148.04 164.25 309.70 288.53 220.97 245.17 77.32 72.03 55.17 61.21 140.66 131.05 100.36 111.35

256.17 238.66 182.78 202.79 285.54 266.02 203.73 226.04

261.44 243.57 222.83 207.69 336.84 313.82 156.89 146.16 184.28 171.69 279.20 280.12 200.13 186.45 299.79 279.30 186.32 173.58 213.62 199.02

258.05 240.41

4.28 1.98 3.91 1.78 2.06 1.75 2.38 2.98 1.74 3.32

1.72 3.32 2.33 0.77 1.16 1.35 3.03 4.00 2.20 0.65 1.11 2.24 3.19

2.21 1.55 2.98 3.93 2.09

2.08 2.96 2.16 1.25 2.12 2.09 2.40 2.90 2.11 1.90

-0.2 2.10

154.22 171.11 129.09 143.22 157.81 174.86 131.26 145.84 128.23 142.27

77.32 72.03 55.17 61.21 88.25 84.53 140.66 131.05 100.36 111.35 100.36 164.66 587.74 547.57 419.36 485.27 586.76 587.74 1208.68 1124.20 880.96 955.24 10316.40 1325.65

222.24

263.02

174.23 159.17 142.24

246.57 72.78 209.52 152.63

5 182.81 179.63 137.57 152.83 252.51 361.84 265.73 222.24 265.88 188.84 209.52 231.88 265.73 222.24 265.88 179.63 137.57 152.83 252.51 249.05 265.73 222.24 265.88 265.73 222.24 265.88 265.73 267.29 267.20 267.29 267.29 267.29 267.29 267.29 267.29 267.29 267.29 267.29

186.54 206.97 159.06 176.48 240.34 285.65 111.94 124.20

152,41 169.10 184,12 204,28

145.89

221.02

158.43 237.32 147.49

217.28 202.43 155.03 172.01 187.80 220.11 188.87 191.94

131.49 199.21 142.79 213.90 132.94

37.5 to 8,221.4 and golds gained 18.8 to 1,717.7. Analysts noted that the rand sank to new lows against the dollar and pound, hit by fresh speculative demand

385.42 398.97 294.19 314.72 180.41 254.34 218.07 222.41 115.89 193.95 112.17 161.04

182.74 216.41 185.61 188.74 243.57 280.37 217.28 219.21

242.95 313.59 69.68 94.35

166.17 200.84 258.59 299.79 148.37 191.55

### turnover that eased to Strong property stocks led the decline with Cheung Kong and Sun Hung Kai

prompted profit-taking. The Hang Seng index closed 125.61 lower at 12,262.77 in Properties each down HK\$1

SINGAPORE depressed by profit-taking after last week's modest run-up and by disappointing first-half results from Singapore Airlines.

SIA's foreign share tranche closed down S\$1 at S\$13 and its local shares were 5 cents weaker at S\$7.55 as DBS Securities cut its recommendation on the stock. The Straits Times Industrials index ended 9.35 lower at 2,067.85, reversing the gains of the previous

KUALA LUMPUR saw blue chips succumb to profittaking as investors took a largely downbeat view of last Friday's budget, while but that the overall mood the second board surged to

was an all-time high. The com- more clashes between police 1.162.09 while the Second Board index was up 5.74 to 637.10.

fears of an oversupply of shares next month when rights lasues were expected to account for Won750bn and about Won200bn-worth of margin loans will have to be paid back. The composite index fell 11.73 to 780.08. . KARACHI finished higher

as investors squared positions for the close of the account, but political unrest kept sentiment mixed.

Brokers said there were rumours of foreign buying.

posite index fell 10.86 to and Islamic militant demonstrators in Islamabad and nearby Rawaipindi. The 100hare index rose ended 14.61 higher at 1,433.34

SEOUL lost ground on BANGKOK moved lower ahead of economic indicators to be released this week. The SET index closed off 6.79 at 931.51 for a three-day decline of 19 points. Concern about next month's general election was also beginning to

emerge, said one broker. SYDNEY closed slightly lower after a clear shakeout for resource stocks. The All Ordinaries Index ended off 11 at 2.334.1. BHP shed 25 cents to A\$16.85 and CRA 17 to A\$19.85.

was clouded by reports of ... • Wellington was closed.

Imfford

# 多XEGUI

# LIFFE's Three Month ECU Future

## **Designated Market Makers**

istituto Bancario San Paolo di Torino S.p.A,

Kredietbank N.V.

NatWest Futures Limited (acting on behalf of NatWest Markets)

SGF Chase Futures & Options (acting on behalf of The Chase Manhattan Bank)

**UBS Futures & Options Limited** (acting on behalf of Union Bank of Switzerland)

On 18 June LIFFE renewed its Designated Market Maker scheme for the Three Month ECU futures contract. -

The Designated Market Makers are now committed to the tightest bid/offer spreads and greatest size ever: four ticks maximum, fifty lots minimum on all eight delivery months.

This is important news, particularly for the execution of business in the four back months of the contract, where you can now get better liquidity for all of your trading needs.

For further information on LIFFE's Three Month ECU futures contract please contact David Angel or Richard Powell (tel. +44 171 379 2436/2419) at

LIFFE's Three Month ECU Future. Trading from Strength to Strength

The London International Financial Futures and Options Exchange